Excelsior MINING CORP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(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, 2014 and 2013 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in equity 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, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 23, 2015

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

	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 11,608,021**	$ 1,640,877
Prepaid expenses	**90,424**	87,506
Receivables	**93,137**	36,287
	11,791,582	1,764,670
Equipment (Note 3)	**146,096**	127,716
Reclamation bonds (Note 4)	**145,013**	-
Exploration and evaluation assets (Note 4)	**344,316**	-
	$ 12,427,007	$ 1,892,386
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,167,127**	$ 295,107
Amounts accrued and due to related parties (Note 6)	**245,470**	76,784
	2,412,597	371,891
Equity		
Capital stock (Note 5)	**28,867,753**	14,881,678
Other equity reserves (Note 5)	**5,558,281**	4,581,335
Deficit	**(24,325,514)**	(17,952,677)
Accumulated other comprehensive income (loss)	**(86,110)**	10,159
	10,014,410	1,520,495
	$ 12,427,007	$ 1,892,386

Nature of operations (Note 1)
Commitments and contingencies (Note 12)
Subsequent events (Note 13)

Approved on April 23, 2015 on behalf of the Board of 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)

		2014		2013
Exploration and evaluation (Note 4)	**$**	**6,467,725**	$	1,392,298
Share-based compensation (Note 5)		**886,301**		492,107
Wages and salaries		**535,370**		470,145
Management fees (Note 6)		**495,073**		334,685
Investor relations		**311,670**		102,404
Professional fees		**291,277**		67,238
Office and administration		**191,493**		133,519
Rent		**186,876**		128,690
Travel and entertainment		**141,369**		79,634
Regulatory fees		**137,222**		62,387
Directors fees		**122,435**		123,578
Depreciation (Note 3)		**48,831**		42,935
Insurance		**31,688**		31,156
Consulting fees		**8,285**		26,500
Gain on sale of royalty (Note 4)		**(3,000,000)**		(1,479,038)
Gain on foreign exchange		**(466,754)**		(14,501)
Finance income		**(16,024)**		(14,980)
Gain on settlement of debt		**-**		(134,800)
Loss for the year	**$**	**(6,372,837)**	$	(1,843,957)
Cumulative translation adjustment		**(96,269)**		16,224
Comprehensive loss for the year	**$**	**(6,469,106)**	$	(1,827,733)
Loss per common share:				
Basic and diluted	**$**	**(0.08)**	$	(0.03)
Weighted average number of common shares outstanding:				
Basic and diluted		**81,666,315**		55,511,165

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

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

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	**(6,372,837)**	$	(1,843,957)
Items not affecting cash:				
Depreciation		**48,831**		42,935
Share-based compensation		**886,301**		492,107
Gain on debt settlement		**-**		(134,800)
Gain on sale of royalty		**(3,000,000)**		(1,479,038)
Non-cash working capital item changes:				
Receivables		**(56,850)**		146,678
Due to related parties		**128,544**		(7,071)
Prepaid expenses		**(933)**		71,565
Accounts payable and accrued liabilities		**1,461,682**		168,494
Net cash used in operating activities		**(6,905,262)**		(2,543,087)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of royalty		**3,000,000**		2,000,000
Acquisition of exploration and evaluation assets		**(58,694)**		(156,615)
Purchase of reclamation deposits		**(82,845)**		-
Purchase of equipment		**(56,549)**		(6,532)
Net cash provided by investing activities		**2,801,912**		1,836,853
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of stock options		**60,000**		-
Proceeds from private placement		**15,038,494**		1,000,000
Cash share issuance costs		**(1,010,105)**		(5,750)
Net cash provided by financing activities		**14,088,389**		994,250
Effect of foreign exchange on cash and cash equivalents		**(17,895)**		(11,261)
Net change in cash and cash equivalents		**9,967,144**		276,755
Cash and cash equivalents, beginning of the period		**1,640,877**		1,364,122
Cash and cash equivalents, end of the period	$	**11,608,021**	$	1,640,877
Cash and cash equivalents consist of:				
Cash	$	**729,248**	$	632,450
Liquid short term investments		**10,878,773**		1,008,427
	$	**11,608,021**	$	1,640,877
Cash received for interest	$	**12,158**	$	26,794

Supplemental disclosure with respect to cash flows (Note 7)

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	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, 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**
Non-voting share conversion	7,007,876	(7,007,876)	-	-	-	-	-
Stock option exercises	200,000	-	71,545	(11,545)	-	-	60,000
Private placement	48,469,507	-	15,038,494	-	-	-	15,038,494
Share issue cost - agent warrants	-	-	(102,190)	102,190	-	-	-
Share issue costs – cash	-	-	(1,021,774)	-	-	-	(1,021,774)
Share-based compensation	-	-	-	886,301	-	-	886,301
Loss for the year	-	-	-	-	(6,372,837)	-	(6,372,837)
Translation adjustment	-	-	-	-	-	(96,269)	(96,269)
Balance, December 31, 2014	**114,801,562**	**-**	**$ 28,867,753**	**$ 5,558,281**	**$ (24,325,514)**	**$ (86,110)**	**$ 10,014,410**

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

1. NATURE OF OPERATIONS

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and was classified as a Tier 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. Subsequent to year end, the Company graduated to Tier 1 status on the TSX-V.

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, 2014, the Company had working capital of $9,378,985 (December 31, 2013 - $1,392,779) and an accumulated deficit of $24,325,514 (December 31, 2013 - $17,952,677). The Company intends to continue financing its future requirements through a combination of equity, debt and/or other instruments. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

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. Management is of the opinion that the Company has sufficient working capital to fund operations for the next 12 months following the date of the audit report.

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 Board ("IASB"). They have also been prepared in accordance with interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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 its subsidiary (see below). A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from the Company's involvement with the entity and has the ability to affect those returns through the Company's power over the entity.

The results 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")	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 years reported.

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company, 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 to be the Canadian dollar for the Company and the United States dollar for Excelsior Arizona.

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 5.

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.

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
Amounts accrued and due to related parties	Other liabilities	Amortized cost
Reclamation bonds	Held-to-maturity	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 amounts accrued 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.

The Company's other financial instrument, being reclamation bonds, is measured at amortized cost. The carrying value of the Company's reclamation bonds approximates their fair value as at December 31, 2014.

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 proceeds from the sale of royalty interest received by the Company 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 exploration and evaluation asset, 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.

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;
- income 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 in question are 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. Income 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.

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

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 share-based compensation expense. 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 meet the definition of a derivative liability and are recorded at fair value through profit and loss. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. 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; nor 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 an asset's fair value less costs to sell and its 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.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amounts that would have been determined, net of depreciation, if no impairment loss had been recognized.

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

New Accounting Pronouncements

Amendments to IAS 32, *Financial Instruments: Presentation* was amended to clarify requirements for offsetting financial assets and financial liabilities. This amendment was effective January 1, 2014 and had no material impact on the financial statements of the Company.

Amendments to IAS 36, *Impairment of Assets (*"IAS 36") will address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGU) for periods in which an impairment loss has been recognized or reversed. This amendment was effective January 1, 2014 and had no material impact on the financial statements of the Company.

Future Accounting Pronouncements

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") will require additional disclosure of information on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

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 derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(Expressed in Canadian Dollars)

3. EQUIPMENT

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	FURNITURE	TOTAL
COST					
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
Additions	12,248	20,952	-	23,349	56,549
Balance at December 31, 2014	$ 27,156	$ 153,180	$ 78,441	$ 37,977	$ 296,754
ACCUMULATED DEPRECIATION					
Balance at December 31, 2012	$ 6,063	$ 48,446	$ 20,049	$ 2,540	$ 77,098
Depreciation for the year	2,169	28,860	10,511	1,395	42,935
Balance at December 31, 2013	8,232	77,306	30,560	3,935	120,033
Depreciation for the year	4,935	28,427	9,021	6,448	48,831
Balance at December 31, 2014	$ 13,167	$ 105,733	$ 39,581	$ 10,383	$ 168,864
EFFECTS OF FOREIGN CURRENCY TRANSLATION					
For the year ended December 31, 2013	$ 290	$ 4,878	$ 2,370	$ 6	$ 7,544
For the year ended December 31, 2014	$ 1,113	$ 9,537	$ 6,477	$ 1,079	$ 18,206
NET BOOK VALUE					
At December 31, 2013	$ 6,966	$ 59,800	$ 50,251	$ 10,699	$ 127,716
At December 31, 2014	$ 15,102	$ 56,984	$ 45,337	$ 28,673	$ 146,096

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 whom 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 had 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 (paid in December 2014).

As of December 31, 2014 the Company had fulfilled the above mentioned series of payments which gives it 100% ownership of the Gunnison Project.

A further payment of US$246,205 to certain land holders of the Gunnison Project became payable on the exercise of the option on the Gunnison property. The payment has been accrued at year end as acquisition costs for exploration and evaluation assets (Note 13).

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 was to invest $1,000,000 in the Company by way of a non-brokered private placement and up to a further $21,000,000 through the purchase of a staged gross revenue royalty (“GRR”) on the Gunnison Project.

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

- Purchased 6,250,000 common shares of the Company at a price of $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 in July 2013).

Callinan had 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.

The first royalty option under the Callinan Agreement was exercised on July 29, 2014. To exercise the first royalty option, Callinan paid the Company $3,000,000 in return for 0.5% GRR on the Gunnison Project. Combined with the initial GRR that Callinan acquired in July 2013, Callinan now holds a 1.0% GRR on the Gunnison Project.

Callinan has the option to invest up to an additional $16,000,000 into the Company in exchange for a further 2.0% GRR on the Gunnison Project based on development milestones (1%) and a construction option (1%).

(Expressed in Canadian Dollars)

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

Gunnison Project (cont'd…)

Development Milestones

1% 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 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 $3,000,000 each, for a total of $6,000,000.

Construction Option

The construction option gives Callinan the right to buy a 1% GRR for $10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One quarter (0.25%) of the construction option will vest with each $3,000,000 paid by Callinan to the Company pursuant to the initial investment or upon the exercise of any of the royalty options.

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.

Should all the royalty options be exercised, Callinan would acquire a 3% GRR on the Gunnison Project for total proceeds of $21,000,000.

Exploration and evaluation assets		**Gunnison Property**
Balance at December 31, 2012	**$**	**338,077**
Addition to acquisition costs		156,615
Effect of foreign currency translation		26,270
Royalty proceeds received [1]		(520,962)
Balance at December 31, 2013	**$**	**-**
Addition to acquisition costs		344,316
Balance at December 31, 2014	**$**	**344,316**

[1] The Company recognized a gain on sale of royalty of $1,479,038 during the year ended December 31, 2013, which represents the difference between the $2,000,000 received and its cost of the property.

A breakdown of exploration and evaluation expenses is as follows:

	For the years ended December 31,			
Exploration and evaluation expenses		**2014**		**2013**
Hydrology	$	2,760,559	$	101,273
Drilling		1,472,238		162,198
Metallurgy		1,007,184		90,976
Geology		380,875		154,637
Administration		326,041		81,293
Geophysics		171,824		-
Pre-feasibility		111,135		682,851
Feasibility		99,507		-
Camp maintenance		71,608		71,363
Geochemistry		56,398		-
Resource estimate		10,356		47,707
	$	6,467,725	$	1,392,298

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

Gunnison Project (cont'd…)

Reclamation Bonds

As at December 31, 2014, the Company had outstanding reclamation bonds for the Gunnison property of $145,013 (December 31, 2013 – $Nil) registered with the Bureau of Land Management in Arizona and with the Arizona State Land Department.

5. CAPITAL STOCK AND OTHER EQUITY RESERVES

Share issuances

The Company issued the following common shares during the year ended December 31, 2014:

- On January 20, 2014 the Company issued 100,000 common shares for proceeds of $30,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a carrying value of $1,686 which was reclassified from other equity reserves to capital stock.

- On January 21, 2014 the Company issued 50,000 common shares for proceeds of $15,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $9,016 which was reclassified from other equity reserves to capital stock.

- On January 29, 2014 2,331,000 non-voting shares were converted to 2,331,000 voting common shares.

- On April 7, 2014 the Company issued 50,000 common shares for proceeds of $15,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $843 which was reclassified from other equity reserves to capital stock.

- On June 27, 2014 the Company completed a public offering by issuing 16,000,000 units (the "Units") priced at $0.25 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.45 until June 27, 2016. The Company paid share issue costs in the amount of $585,097 related to this share issuance. The Company also issued 960,000 non-transferable agent warrants. Each agent warrant is exercisable into one common share of the Company until June 27, 2016 at an exercise price of $0.45. An amount of $102,190 representing the fair value of these warrants on granting was recorded as share issuance costs.

- On July 2, 2014, 4,676,876 non-voting shares were converted to 4,676,876 voting common shares.

- On September 5, 2014 the Company completed the first tranche of a US$10,000,000 financing and strategic partnership agreement with an affiliate of Greenstone Resources L.P ("Greenstone"), whereby Greenstone purchased 20,580,000 common shares, equal to approximately 19.9% of the issued and outstanding common shares of the Company, for gross proceeds of $6,968,742 (US$6,393,342). The Company incurred $144,808 of share issuance costs in conjunction with this financing.

- On October 20, 2014, the Company completed the second tranche of the US$10,000,000 equity financing and strategic partnership with Greenstone. In conjunction with this closing, Greenstone purchased 11,889,507 common shares of the Company for gross proceeds of $4,069,752 (US$3,606,658). The Company incurred $291,869 of share issuance costs in conjunction with this financing. As at December 31, 2014, Greenstone holds 32.4 million common shares or approximately 28.2% of the Company's issued and outstanding common shares.

(Expressed in Canadian Dollars)

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

Share issuances (cont'd…)

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.

Warrants

The following is a summary of warrants outstanding as at December 31, 2014:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2012	**9,155,431**	**$0.90**
Expired	(7,311,265)	$1.00
Outstanding, December 31, 2013	**1,844,166**	**$0.50**
Expired	(1,844,166)	$0.50
Issued	8,960,000	$0.45
Outstanding, December 31, 2014	**8,960,000**	**$0.45**

As at December 31, 2014, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
8,000,000	$0.45	1.49	June 27, 2016
960,000[1]	$0.45	1.49	June 27, 2016
8,960,000			

[1] Agents warrants

The following weighted average assumptions were used for the Black-Scholes valuation of agent warrants granted during the year ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Risk-free interest rate	1.13%	-
Expected life of warrants	2 years	-
Annualized volatility	113%	-
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 the historical activity. The expected volatility is based on the historical volatility of the Company. The weighted average fair value of agents warrants issued during the year ended December 31, 2014 is $0.106 per warrant (2013 - $Nil).

(Expressed in Canadian Dollars)

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

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 16,466,400. 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 proceeding the date the options are granted. The vesting terms are at the Board of Directors' discretion.

The following is a summary of stock options outstanding as at December 31, 2014:

	Number of Options	Weighted Average Exercise Price
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**
Forfeited	(335,000)	$0.30
Exercised	(200,000)	$0.30
Issued	1,650,000	$0.26
Outstanding, December 31, 2014	**11,771,000**	**$0.28**
Exercisable, December 31, 2014	**10,346,000**	**$0.29**

At December 31, 2014, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
2,800,000[(1)]	2,800,000	US$0.25	4.00	December 31, 2018
58,667[(1)]	58,667	$0.30	4.00	December 31, 2018
2,971,000[(1),(2)]	2,971,000	$0.30	4.00	December 31, 2018
200,000[(2)]	200,000	$0.30	1.09	February 1, 2016
100,000[(2)]	100,000	$0.30	1.32	April 25, 2016
100,000[(2)]	100,000	$0.30	1.59	August 2, 2016
100,000[(2)]	100,000	$0.30	1.68	September 6, 2016
1,241,333[(2)]	1,241,333	$0.30	2.13	February 15, 2017
2,550,000	2,550,000	$0.30	2.72	September 18, 2017
600,000	150,000	$0.25	4.60	August 6, 2019
300,000	75,000	$0.265	4.75	September 30, 2019
250,000	-	$0.25	4.92	December 1, 2019
500,000	-	$0.26	4.81	October 20, 2019
11,771,000	10,346,000			

(1) During the year ended December 31, 2014, 2,800,000 stock options with an exercise price of US$0.25 and 3,029,667 stock options with an exercise price of $0.30 were modified to extend the expiry date to December 31, 2018. Where stock options are modified, new fair values were calculated based on the modified expiry date and this new fair value is used in determining compensation expense over the remaining vesting periods of the options. Due to modifying the stock options, an additional $582,419 was recorded as share-based compensation during the year ended December 31, 2014.

(Expressed in Canadian Dollars)

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

Stock options (cont'd…)

(2)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 during the year ended December 31, 2013.

Share-based compensation

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, 2014, the Company recognized share-based compensation of $886,301 (December 31, 2013 - $492,107).

The weighted average fair value of stock options issued during the year ended December 31, 2014 was $0.20 per stock option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted, re-priced or modified during the years ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Risk-free interest rate	1.40%	1.61%
Expected life of options	4.16 years	4.11 years
Annualized volatility	105.92%	86%
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 warrant life. The expected average term is the average expected period to exercise, based on the historical activity. The expected volatility is based on the historical volatility of the Company.

Other equity reserves

	Options and agent warrants	Finance warrants	Total
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**
Share-based compensation	886,301	-	886,301
Issuance of agent warrants	102,190	-	102,190
Fair value of stock options exercised	(11,545)	-	(11,545)
Balance, December 31, 2014	**$ 3,922,307**	**$ 1,635,974**	**$ 5,558,281**

(Expressed in Canadian Dollars)

6. 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 Executive Chairman, Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

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

	Years Ended December 31,	
	2014	**2013**
Share-based compensation	$ 756,283	$ 425,781
Short-term benefits*	597,521	462,538
	$ 1,353,804	**$ 888,319**

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

Other related parties

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

Kinley Exploration LLC, ("Kinley Exploration") is an entity owned by Colin Kinley, a Director of the Company and provides certain technical services on an as-needed basis to the Company.

Cassels Brock & Blackwell LLC, ("Cassels Brock") is a law firm that John Vettese, a former Director of the Company, is a partner in and provides legal services on an as-needed basis to the Company.

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

	Years Ended December 31,	
	2014	**2013**
King & Bay	$ 759,556	$ 601,145
Kinley Exploration LLC	-	37,226
Cassels Brock & Blackwell LLP	395,911	3,667
	$ 1,155,467	**$ 642,038**

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd…)

Amounts due to related parties at December 31, 2014 included the following:

- King & Bay - $200,800 (December 31, 2013 - $39,558)
- Kinley Exploration LLC, a company controlled by a director - $Nil (December 31, 2013 - $37,226)
- Michael Haworth, a director of the Company - $6,000 (December 31, 2013 – $Nil)
- SCT Holdings Management LLC, a company controlled by the CEO - $38,670 (December 31, 2013 - $Nil)

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following were the significant non-cash transactions affecting cash flows from investing and financing activities during the year ended December 31, 2014:

- 200,000 stock options with an exercise price of $0.30 per option were exercised. An amount of $11,545, representing the fair value of the options on granting was reclassified from other equity reserves to capital stock on exercise.
- The Company issued 960,000 agent warrants in connection with its financing as described in Note 5 with a fair value of $102,190.
- Included in accounts payable and accrued liabilities as at December 31, 2014 are share issuance costs of $11,669.
- Included in accounts payable and accrued liabilities as at December 31, 2014 are exploration and evaluation assets of $285,622.
- Included in accounts payable and accrued liabilities as at December 31, 2014 are reclamation deposits of $58,005.

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

8. 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, 2014	As at December 31, 2013
Equipment		
United States	$ 137,480	$ 126,821
Canada	8,616	895
	$ 146,096	$ 127,716
Reclamation Bonds		
United States	$ 145,013	$ -
Exploration and evaluation assets		
United States	$ 344,316	$ -

9. FINANCIAL INSTRUMENTS

As at December 31, 2014, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions some of which are interest bearing accounts. The Company 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. As a result the Company does not 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, 2014, the Company has cash and cash equivalents balance of $11,608,021 to settle current liabilities of $2,412,597. 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 for 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 is low.

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of December 31, 2014, 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 was in U.S. dollars but any future equity raised may be in either U.S dollars or Canadian dollars. Approximately 80% of cash and cash equivalents are held in U.S. dollar bank accounts. A 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect the loss of the Company by approximately $850,000.

(Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

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.

In the management of capital, the Company considers components of equity.

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 year.

11. INCOME TAXES

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

		December 31, 2014		December 31, 2013
Loss for the year	$	(6,372,837)	$	(1,843,957)
Expected income tax recovery	$	(1,657,000)	$	(475,000)
Permanent difference		(550,000)		(254,000)
Change in statutory, foreign tax, foreign exchange rates, and other		(910,000)		(530,000)
Share issuance costs		(266,000)		(1,000)
Change in unrecognized deductible temporary differences		3,383,000		1,260,000
Total income tax recovery	$	-	$	-

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

		December 31, 2014		December 31, 2013
Exploration and evaluation assets	$	5,545,000	$	3,094,000
Equipment		52,000		41,000
Share issuance costs		243,000		102,000
Non-capital losses available for future periods		2,930,000		2,150,000
		8,770,000		5,387,000
Unrecognized deferred tax assets		(8,770,000)		(5,387,000)
Net deferred tax assets	$	-	$	-

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd…)

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

	December 31, 2014		December 31, 2013	
Exploration and evaluation assets	$ 14,476,000	no expiry	$ 8,008,000	no expiry
Equipment	$ 138,000	no expiry	$ 105,000	no expiry
Share issuance costs	$ 933,000	2035 - 2038	$ 391,000	2034 - 2037
Non-capital losses available for future periods	$ 10,072,000	2015 - 2034	$ 7,434,000	2014 - 2033
Investment tax credit	$ 12,000	2030	$ 12,000	2020-2033

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

12. 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
2015	$ 74,491
2016	101,281
2017	103,895
2018	26,137
Total	**$ 305,804**

No contingent liabilities have been accrued as of December 31, 2014, nor are any known disputes pending against the Company that could significantly impact the Company's consolidated financial statements.

13. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2014:

- On January 15, 2015, the Company received approval for graduation from Tier 2 issuer status to Tier 1 issuer status by the TSX-V.
- On January 30, 2015, 35,000 stock options were cancelled with an exercise price of $0.30.
- On February 2, 2015 the Company made a payment of US$246,205 to certain land holders of the Gunnison Project which became due on the exercise of the option to acquire 100% ownership of the Gunnison Project. The US$246,205 consisted of a US$150,000 payment under the terms of a promissory note and a purchase price adjustment payment of US$96,205. The payments were obligations of the vendor of the Gunnison Project that were assumed by the Company on the exercise of the option to acquire the Gunnison Project and paid by the Company on February 2, 2015.
- On February 28, 2015, 50,000 stock options were cancelled 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, 2014

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

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

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, 2014:

- 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 to;
- 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 conflicting 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 Project located in Cochise County, Arizona. Under the Amended and Restated Option Agreement dated November 12, 2012 (the "Option Agreement"), the Company had the exclusive right to acquire 100% of the Gunnison Project for US$350,000 to be paid according to the schedule below. The Company formally exercised the option and acquired 100% of the mineral interest that comprise the Gunnison Project by making all of the following payments on or before December 31, 2014:

- 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 (paid in December 2014).

As a result of the exercise of the option, pursuant to the terms of the Option Agreement the Company assumed a further up to US$300,000 in payments to certain land holders of the Gunnison Project. Up to US$150,000 of the US$300,000 (subject to certain adjustments) was due on exercise of the option on the Gunnison Project as a purchase price adjustment payment and the remaining US$150,000 under the terms of a promissory note that was due on or before December 31, 2016. Subsequent to year end and as a result of the exercise of the option, the Company satisfied these payment obligations by making a payment to the land holders of US$246,205.

The payment of US$246,205 consisted of the US$150,000 payable under the terms of the promissory note and an additional payment of US$96,205 for the purchase price adjustment. The amount of the purchase price adjustment was determined by taking the base amount of the payment of US$150,000 and reducing it by the amount of the holding costs associated with the Gunnison Project which totaled US$53,795.These payments have been accrued as of December 31, 2014 as acquisition costs for exploration and evaluation assets.

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 was to invest $1,000,000 in the Company by way of a non-brokered private placement and up to a further $21,000,000 through the purchase of a staged gross revenue royalty ("GRR") on the Gunnison Project (the "Transaction").

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 had 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. This right expired on the exercise of the first royalty option under the Callinan Agreement, discussed further below.

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

Callinan has the option to invest up to an additional $16,000,000 into the Company in exchange for a further 2.0% GRR on the Gunnison Project based on development milestones (1%) and a construction option (1%).

1% 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 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 has the option to purchase an additional 0.5% GRR for $3,000,000 each.

The construction option gives Callinan the right to buy a 1% GRR for $10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One quarter (0.25%) of the construction option will vest with each $3,000,000 paid by Callinan to the Company pursuant to the initial investment or upon the exercise of any of the royalty options.

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.

Should all the royalty options be exercised, Callinan would acquire a 3% GRR on the Gunnison Project for total proceeds of $21,000,000.

Summary of Results & Highlights

The Gunnison 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 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.

Gunnison Project Mineral Resource (0.05% Total Cu cut-off grade):

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

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.

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.

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

On October 7, 2014, 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 **819 jobs** annually state-wide
  - *108 direct, on-site jobs; 711 in-direct or "secondary" jobs*
- **US$2.94 billion** added to Arizona's Gross State Product
- **US$319.9 million** in additional State revenues generated directly from the project

The numbers and dollar values quoted above are all based on the 2014 Prefeasibility Study and assume that the Company builds its own acid plant.

On January 17, 2014, the Company announced the results of the Prefeasibility Study ("PFS") of the Gunnison 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 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 US$1.24 billion (after-tax US$0.824 billion) at a 7.5% discount rate (using a copper price of US$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 US$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 disclosed in the table above.

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 Preliminary Economic Assessment, test work to estimate the recovery factors and a US$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 (in United States dollars):

- copper selling price of US$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 US$45.47/ton for the Acid Plant option and US$125/ton for the Non-Acid Plant option,
- state tax rate of 6.97%, and
- a federal tax rate of 35%.

In September 2014, the Company commenced a metallurgical drill program at the Gunnison Project. The program was comprised of ten diamond-drill holes totalling 6,400 feet of diamond drilling (11,900 feet total). The samples collected will be used to conduct extensive metallurgical testing, including column tests, acid consumption tests and rinse tests. The metallurgy drill program was completed in November 2014 and the Company submitted a total of 23 samples for metallurgical testing to be conducted by the independent laboratory MAG (Mineral Advisory Group). The results of the metallurgical tests will be used to determine copper extraction rates, acid consumption rates and rinsing procedures and rates. The results of the metallurgical testing will be used for both the permitting application process and the feasibility study for the Gunnison Project.

In October 2014 the Company commenced a hydrological drill program at the Gunnison Project. This program was completed in March 2015. The primary component of the hydrological program comprised 26 hydrology test and observation wells totaling approximately 28,000 feet. Extensive geophysical logging was completed on all holes. The objective of the program is to characterize the hydrological parameters of the mineralized rocks by measuring groundwater movement through the rocks. Results will be used to construct a numerical groundwater flow model to simulate in-situ recovery operations and to assist with permit applications. Additional long-term aquifer testing will also be conducted on previously constructed wells. Hydrological data and modeling will be used for both the permitting application process and the feasibility study. All drilling, data interpretation, and modeling are expected to be completed in the second quarter of 2015.

In October 2014 the Company also commenced a resource upgrade drill program at the Gunnison Project. Assay results from the drill program consisting of 13 diamond drill holes, totaling 17,110 feet have been returned. Results are consistent with expectations and previous drill holes in the area.

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 PFS 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 collection of this data is expected to be complete in 2015. Metallurgical and hydrological testing is currently ongoing and the results will be released and used for permitting and the feasibility study.

Specifically 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, 2014	December 31, 2013	December 31, 2012
Net loss for the year	$ 6,372,837	$ 1,843,957	$ 5,101,368
Net comprehensive loss for the year	6,469,106	1,827,733	5,134,011
Basic and diluted loss per share	0.08	0.03	0.09
Total assets	12,427,007	1,892,386	2,196,404

REVIEW OF FINANCIAL RESULTS

Results of operations for the year ended December 31, 2014 compared to the year ended December 31, 2013:

The Company reported a net loss of $6,372,837 ($0.08 per common share) for the year ended December 31, 2014, compared to a net loss of $1,843,957 ($0.03 per common share) for the year ended December 31, 2013. The increase in net loss of $4,528,880 is attributable to increased levels of both corporate and exploration activities subsequent to the Company raising financing during the year ended December 31, 2014.

Significant changes in the Company's expenses for the year ended December 31, 2014 compared to the prior year are described as follows:

Exploration and evaluation expenses which represented approximately 66% of total operating expenses for the year ended December 31, 2014 (2013 – 40%), increased by $5,075,427 to $6,467,725 (2013 - $1,392,298) as a result of work undertaken to collect geological, hydrological and metallurgical data for the feasibility study and permitting.

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

Exploration and evaluation expenses	For the years ended December 31, 2014	2013
Hydrology	$ 2,760,559	$ 101,273
Drilling	1,472,238	162,198
Metallurgy	1,007,184	90,976
Geology	380,875	154,637
Administration	326,041	81,293
Geophysics	171,824	-
Pre-feasibility	111,135	682,851
Feasibility	99,507	-
Camp maintenance	71,608	71,363
Geochemistry	56,398	-
Resource estimate	10,356	47,707
	$ 6,467,725	$ 1,392,298

In connection with the increased exploration activities with respect to the Gunnison Project, corporate and general administrative expenses also increased. Wages and salaries of $535,370 (2013 - $470,145), office and administration of $191,493 (2013 - $133,519), travel and entertainment of $141,369 (2013 - $79,634) and regulatory fees of $137,222 (2013 - $62,387) all increased in the current year compared to the prior year as a direct result of the increase in exploration activities and the various financings that were completed by the Company during the current year.

Investor relations costs of $311,670 (2013 - $102,404) increased by $209,266 compared to the prior year as the Company increased its marketing and investor relation activities following the release of the PFS, including attendance at conferences and roadshows.

Share-based compensation expense increased to $886,301 from $492,107 due to the extension of expiry dates on certain stock options and the issuance of additional stock options during the current year. Share-based compensation expense has no effect on the Company's cash flows and represented 9% of the operating expenses for the year ended December 31, 2014, compared to 14% for the year ended December 31, 2013.

Consulting fees of $8,285 (2013 - $26,500) decreased by $18,215 compared to the prior year due to the termination of a consulting agreement with a third party.

Professional fees of $291,277 (2013 - $67,238) increased by $224,039 compared to the prior year due to increased accounting and legal fees incurred with respect to due diligence and additional reporting requirements for financings completed during the current year.

Management fees of $495,073 (2013 - $334,685) increased by $160,388 compared to the prior year as a result of the Company's increased corporate activities, as well as the appointment of an Executive Chairman and the management fees associated with that role.

Rent expense of $186,876 (2013 - $128,690) increased by $58,186 as a result of changes in use of share office facilities as the Company's corporate activities increased during the current year.

During the year ended December 31, 2014, the Company's expenses were partially offset by a gain on the sale of royalties in the amount of $3,000,000 per the Callinan Agreement, a gain on foreign exchange of $466,754 due to US dollar denominated cash and cash equivalents and the strengthening of the US dollar relative to the Canadian dollar during the year, and finance income of $16,024 related to interest income from excess cash on hand held in interest-bearing accounts.

During the year ended December 31, 2013, the Company's expenses were partially offset by a gain on the sale of royalties in the amount of $1,479,038 per the Callinan Agreement, a gain on foreign exchange of $14,501 due to US dollar denominated cash and cash equivalents and the strengthening of the US dollar relative to the Canadian dollar during the year, finance income of $14,980 related to interest income from excess cash on hand held in interest-bearing accounts and a gain on settlement of debt of $134,800

Review of June 2014 Prospectus Financing Use of Proceeds

On June 27, 2014, the Company closed a public offering of 16,000,000 units at a price of $0.25 per unit. The total gross proceeds of the offering were $4,000,000. As of December 31, 2014, the Company has used the gross proceeds from this prospectus as follows:

Activity or Nature of Expenditure	Initial Estimated use of Net Proceeds ($)	Approximate Actual use of Net Proceeds ($)
General and administrative expenses	1,081,000	1,281,867
Property payment	380,500(1)	369,002
Hydrology program(2)	920,000	863,478
Metallurgical program(3)	1,128,500	900,556
Estimated costs of the offering	250,000	345,097
Underwriter's commission	240,000	240,000
Total	4,000,000	4,000,000

Notes:

(1) The total payment is US$350,000 and this assumed an exchange rate of $1.00 = US$0.92 as set out in the prospectus.

(2) The hydrology program consists of reverse circulation drilling, pump testing and hydraulic modelling and is designed to advance the preparation of the feasibility study and permitting for the Gunnison Copper Project.

(3) The metallurgical program consists of diamond drilling, metallurgical testing and geochemical modelling and is designed to advance the preparation of the feasibility study and permitting for the Gunnison Copper Project.

General and administrative expenses were higher than forecasted as a result of increased investor relations activities and additional corporate activities to support the financings with Greenstone. The estimated costs of the offering were also higher than forecasted. The amount of the final property payment was lower than forecasted as a result of the Company being able to subtract holding costs from a portion of the final property payment, which was partially offset by the weakening of the Canadian dollar against the United States dollar. The proceeds used for the hydrology and metallurgical program were slightly less than forecasted but these variances will not affect the Company's ability to achieve its business objectives and milestones as it subsequently obtained additional financing from Callinan and Greenstone to complete the planned hydrology and metallurgy programs.

SELECTED QUARTERLY INFORMATION

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

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Net income (loss) for the period	**(5,623,435)**	923,985	(775,876)	(897,511)
Loss per share (basic and diluted)	**(0.07)**	0.01	(0.01)	(0.01)
Total assets	**12,427,007**	13,065,406	4,062,949	981,780

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Net income (loss) for the period	**(1,183,311)**	631,270	(522,069)	(769,847)
Loss per share (basic and diluted)	**(0.02)**	(0.02)	(0.01)	(0.01)
Total assets	**1,892,386**	3,393,835	1,108,323	1,162,545

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company has generally incurred losses over the last eight quarters; however, during the third quarters of 2013 and 2014 the Company reported net income as a result of the sale of royalties to Callinan pursuant to the Callinan Agreement (See "Mineral Properties"). Net losses realized for the first and second quarters of fiscal 2013 were lower as a result of reductions in corporate activities and exploration initiatives to conserve cash. During the fourth quarter of fiscal 2013, the net loss was higher as a result of activities associated with the completion of the PFS. During the fourth quarter of fiscal 2014, there was a significant increase in the net loss due to the increase in exploration activities that occurred as a result of the completion of financings in the third quarter of 2014.

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

Results of operations for the three months ended December 31, 2014 compared to the three months ended December 31, 2013:

For the three months ended December 31, 2014, the Company reported a net loss of $5,623,435 ($0.07 per common share) compared to a net loss of $1,183,311 ($0.02 per common share) for the three months ended December 31, 2013. The Company experienced increased levels of both corporate and exploration activities during the fourth quarter of fiscal 2014 subsequent to the Company raising financing during fiscal 2014.

Significant changes in the expense accounts are described as follows:

Exploration and evaluation increased to $4,904,065 for the three months ended December 31, 2014 compared to $684,897 for the same period of the prior year as the Company focused on collecting geological, hydrological and metallurgical data for feasibility studies and permitting during the current period subsequent to raising financing earlier in the year.

Consulting fees, management fees and wages and salaries increased to $306,054 for the three months ended December 31, 2014 compared to $195,418 for the same period of the prior year, as a result the Company appointing an Executive Chairman and increased overall corporate activities.

Investor relations increased by $112,021 for the three months ended December 31, 2014 compared to the same period of the prior year as a result of the Company's attendance at conferences and roadshows. In addition, the Company engaged a third party consultant to provide investor relation services which commended in August 2014.

Rent expense for the three months ended December 31, 2014 of $48,106 (2013 - $33,561) increased by $14,545 as a result of changes in use of share office facilities as the Company's corporate activities increased during the current year and period. In connection with increased corporate activities, office and administration expenses also increased by $17,249 for the three months ended December 31, 2014 compared to the same period of the prior year.

Professional fees increased by $191,554 for the three months ended December 31, 2014 compared to the same period of the prior year as a result of the Company commencing recruitment for personnel for the Gunnison Project and engaging legal counsel with respect to due diligence.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $11,608,021 as of December 31, 2014 (December 31, 2013 - $1,640,877) and working capital of $9,378,985 (December 31, 2013 - $1,392,779). The increase in cash and cash equivalent of $9,967,144 was a result of financing activities of $14,088,389 and investing activities of $2,801,912 which were partially offset by cash used in operating activities of $6,905,262, as further described below.

Cash used in operating activities during the year ended December 31, 2014 amounted to $6,905,262, compared to $2,543,087 during the prior year. The increase in cash outflow is largely attributable to the increased net loss realized during the current year as the Company increased its exploration activities on the Gunnison Project.

Cash provided by investing activities for the year ended December 31, 2014 amounted to $2,801,912 (2013 - $1,836,853) and consists of a royalty option payment in the amount of $3,000,000 (2013 - $2,000,000) pursuant to the Callinan Agreement, which was partially offset by the acquisition costs for the Gunnison Project of $58,694 (2013 - $156,615), the purchase of reclamation deposits related to the Gunnison Project of $82,845 (2013 - $Nil) and the purchase of equipment of $56,549 (2013 - $6,532).

Cash provided by financing activities for the year ended December 31, 2014 amounted to $14,088,389 (2013 - $994,250) and consisted of the exercise of stock options for gross proceeds of $60,000 (2013 - $Nil), the issuance of common shares for gross proceeds of $15,038,494 (2013 - $1,000,000) and cash share issuance costs paid of $1,010,105 (2013 - $5,750). Refer to "Share Capital" for further details of share issuances and stock option activities for the years ended December 31, 2014 and 2013.

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 equity, debt and/or other instruments. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms.

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 approximately $950,000 per year. Therefore, minimum working capital requirements are estimated at $1 million per year.

As at December 31, 2014, the Company's cash and cash equivalents were $11,608,021. Currently, the Company has sufficient funds to meet its estimated annual corporate and general costs and current programs which include collecting geological, hydrological and metallurgical data to support the Company with respect to completing a feasibility study and permitting applications. However, the Company does not currently have sufficient funds to complete all the work associated with the completion of the feasibility study or the receipt of final permits. In order to complete this work additional financing will be required. The Company does not have any pre-arranged sources of financing except for the remaining Callinan royalty options (see "Mineral Properties – Share Purchase and Royalty Agreement"). The Callinan royalty options are options only and there is no certainty that Callinan will exercise them. In addition, even if they are exercised, the Company will require additional financing to complete the feasibility study and to receive final permits. Such financing will, as discussed above, come in the form of equity, debt or other instruments.

STATEMENT OF FINANCIAL POSITION INFORMATION

The following financial data are selected from the Company's annual statements of financial position:

	As at December 31, 2014	As at December 31, 2013
Cash	**$ 11,608,021**	$ 1,640,877
Prepaid expenses	**90,924**	87,506
Accounts receivable	**93,137**	36,287
Equipment	**146,096**	127,716
Reclamation bonds	**145,013**	-
Exploration and evaluation assets	**344,316**	-
Total Assets	**$ 12,427,007**	$ 1,892,386

	As at December 31, 2014	As at December 31, 2013
Accounts payable and accrued liabilities	**$ 2,167,127**	$ 295,107
Due to related parties	**245,470**	76,784
Share capital	**28,867,753**	14,881,678
Other equity reserves	**5,558,281**	4,581,335
Deficit	**(24,325,514)**	(17,952,677)
Accumulated other comprehensive income	**(86,110)**	10,159
Total Liabilities and Equity	**$ 12,427,007**	$ 1,892,386

Assets

Cash increased by $9,967,144 during the year ended December 31, 2014 as previously discussed in "Liquidity, Financing and Capital Resources".

Accounts receivable increased by $56,850 during the year ended December 31, 2014 as a result of increased corporate activity which resulted in increased Goods and Services Tax input tax credits claimed during year ended December 31, 2014. In addition, amounts were accrued as of December 31, 2014 in relation to interest income receivable on excess cash on hand.

Prepaid expenses increased by $2,918 as the Company made various prepayments for directors' and officers' insurance, recruitment services, investor relation conferences and listing fees which were partially offset by amortization of such prepayments.

During the year ended December 31, 2014, the Company purchased reclamation bonds in the amount of $145,013 in relation to the Gunnison Project.

Equipment increased by $18,380 during the year ended December 31, 2014 as a result of purchases which were partially offset by depreciation and the change in foreign exchange.

During the year ended December 31, 2014, exploration and evaluation assets increased to $344,316 as the Company paid the final payment of US$50,000 to acquire ownership of the Gunnison property. A further payment of US$246,205 to certain land holders of the Gunnison Project became payable on the exercise of the option on the Gunnison property. As of December 31, 2014, the payment has been accrued.

Liabilities

Accounts payable and accrued liabilities increased by $1,872,020 during the year ended December 31, 2014 as a result of increased corporate and exploration activities through to the end of the current fiscal year. Significant accounts payable and accrued liabilities as of December 31, 2014 consist of amounts due for drilling, acquisition costs and professional fees.

Amounts due to related parties increased by $168,686 during the year ended December 31, 2014 primarily as a result of services rendered by King & Bay West Management Corp. for the fourth quarter of fiscal 2014 which were unpaid as of year-end. For further details related to amounts due to related parties, refer to "Related Party Transactions".

Equity

During the year ended December 31, 2014, capital stock increased by $13,986,075 due to the exercise of 200,000 stock options and the issuance of 48,469,507 common shares in relation to public offerings. Deductions from the capital stock account consisted of cash and non-cash share issuance costs. Refer to "Share Capital" for further details of share issuances and stock option activities for the years ended December 31, 2014 and 2013.

During the year ended December 31, 2014, the other equity reserve increased by $976,946 as a result of share-based compensation of $886,301 for the year and agent warrants that were issued and valued at $102,190 which were partially offset by the value of stock options exercised in the amount of $11,545.

Deficit increased by $6,372,837 which was the net loss for the current year.

During the year ended December 31, 2014, accumulated other comprehensive income decreased by $96,269 due to the translation adjustment of the financial statements which relates to the fluctuations between the US and the Canadian dollars.

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, 2014	Date of report
Common shares, voting	114,801,562	114,801,562
Common shares, non-voting	-	-
Stock Options	11,771,000	11,686,000
Warrants	8,960,000	8,960,000

The Company issued the following common shares during the year ended December 31, 2014:

- On January 20, 2014 the company issued 100,000 common shares for proceeds of $30,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $1,686 which was reclassified from other equity reserves to capital stock.

- On January 21, 2014 the company issued 50,000 common shares for proceeds of $15,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $9,016 which was reclassified from other equity reserves to capital stock.

- On January 29, 2014 2,331,000 non-voting shares were converted to 2,331,000 voting common shares.

- On April 7, 2014 the company issued 50,000 common shares for proceeds of $15,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $843 which was reclassified from other equity reserves to capital stock.

- On June 27, 2014 the Company completed a public offering by issuing 16,000,000 units (the "Units") priced at $0.25 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.45 until June 27, 2016. The Company paid share issue costs in the amount of $585,097 related to this share issuance. The Company also issued 960,000 non-transferable agent warrants. Each agent warrant is exercisable into one common share of the Company until June 27, 2016 at an exercise price of $0.45. An amount of $102,190 representing the fair value of these warrants on granting was recorded as share issuance costs.

- On July 2, 2014, 4,676,876 non-voting shares were converted to 4,676,876 voting common shares.

- On September 5, 2014 the Company completed the first tranche of a US$10,000,000 financing with Greenstone, whereby Greenstone purchased 20,580,000 common shares, equal to approximately 19.9% of the issued and outstanding common shares of the Company, for gross proceeds of $6,968,742 (US$6,968,742). The Company incurred $144,808 of share issuance costs in conjunction with this financing. The second and final tranche was completed subsequent to period end.

- On October 20, 2014, the Company completed the second tranche of the US$10,000,000 equity financing and strategic partnership with Greenstone. In conjunction with this closing, Greenstone purchased 11,889,507 common shares of the Company for gross proceeds of $4,069,752 (US$3,606,658). Greenstone now holds 32.4 million common shares or approximately 28.2% of the Company's issued and outstanding common shares. The common shares issued in this second closing are subject to a four month hold period expiring on February 21, 2015

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.

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 Executive Chairman, Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

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

	Years Ended December 31,	
	2014	**2013**
Share-based compensation	$ 756,283	$ 425,781
Short-term benefits*	597,521	462,538
	$ 1,353,804	**$ 888,319**

Short-term benefits in the above table consist of base salaries, consulting fees, management fees, director fees, and other employment benefits, pursuant to contractual employment, consultancy or management services arrangements.

During the year ended December 31, 2014, short-term benefits include the following:

- Jay Sujir, a director of the Company – Director fees of $24,000 (2013 - $24,000)
- Colin Kinley, a director of the Company – Director fees of $24,000 (2013 - $24,000)
- Steven Lynn, a director of the Company – Director fees of $24,000 (2013 - $24,000)
- Jim Kolbe, a director of the Company – Director fees of $24,000 (2013 - $24,000)
- Michael Haworth, a director of the Company – Director fees of $6,000 (2013 - $Nil)
- John Vettese, a director of the Company – Director fees of $18,000 (2013 - $24,000)
- MJM Consulting Corp., an entity owned by Mark Morabito, the Executive Chairman of the Company – Management fees of $56,944 (2013 - $Nil)
- SCT Holdings Management LLC, an entity controlled by Stephen Twyerould, the CEO of the Company – Management fees of $228,192 (2013 - $175,066)
- Taloumba, Inc., an entity controlled by Roland Goodgame, the Executive Vice President of the Company – Management fees of $192,385 (2013 - $159,619)

Other related parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, the Executive Chairman of the Company who employs or retains certain officers of the Company. King & Bay provides administrative, management, geological, regulatory, tax, corporate development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount set out in the table below represents amounts paid to King & Bay for the services of King & Bay personnel and for overhead and third party costs incurred by King & Bay on behalf of the Company. The fees for such services were made on terms equivalent to those that King & Bay charges to arm's length parties.

Kinley Exploration LLC, ("Kinley Exploration") is an entity owned by Colin Kinley, a Director of the Company, and provides exploration and evaluation related services on an as-needed basis to the Company, including certain estimations for the PFS. The fees for such services were made on terms equivalent to those that Kinley Exploration charges to arm's length parties.

Cassels Brock & Blackwell LLC, ("Cassels Brock") is a law firm that John Vettese, a former Director of the Company, is a partner in. Cassels Brock provided legal services on an as-needed basis to the Company with respect to corporate, securities, finance and regulatory matters. The fees for such services were made on terms equivalent to those that Cassels charges to arm's length parties.

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

		Years Ended December 31,		
		2014		**2013**
King & Bay	$	759,556	$	601,145
Kinley Exploration LLC		-		37,226
Cassels Brock & Blackwell LLP		395,911		3,667
	$	**1,155,467**	**$**	**642,038**

Amounts due to related parties at December 31, 2014 included the following:

- King & Bay - $200,800 (December 31, 2013 - $39,558)
- Kinley Exploration - $Nil (December 31, 2013 - $37,226)
- Michael Haworth, a director of the Company - $6,000 (December 31, 2013 – $Nil) (included in key management personnel)
- SCT Holdings Management LLC, a company controlled by Stephen Twyerould, the CEO of the Company - $38,670 (December 31, 2013 - $Nil) (included in key management personnel)

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.

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, 2014.

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.

Future accounting pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at December 31, 2014.

Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") will require additional disclosure of information on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015. The amended standard had no material impact on the consolidated financial statements of the Company as of the effective date.

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 derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the amended standards on its consolidated financial statements.

Amendments to IAS 36, *Impairment of Assets (*"IAS 36") will address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGU) for periods in which an impairment loss has been recognized or reversed. This amendment will be effective for annual financial periods beginning on or after July 1, 2014. The amended standard had no material impact on the consolidated financial statements of the Company as of the effective date.

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

Environmental hazards may exist on the Gunnison Project 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 Executive Chairman, Chief Executive Officer and Executive Vice President, 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
Reclamation bonds	Held-to-maturity	Fair value

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 and funds held in trust have been measured at fair value using Level 1 inputs.

As at December 31, 2014, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions some of which are interest bearing accounts. The Company 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. As a result the Company does not 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 of the accompanying audited consolidated financial statements. As at December 31, 2014, the Company had cash and cash equivalents balance of $11,608,021 to settle current liabilities of $2,412,597. 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 is low.

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of December 31, 2014, 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 was in U.S. dollars but any future equity raised may be in either U. S dollars or Canadian dollars. Approximately 80% of cash and cash equivalents are held in U.S. dollar bank accounts. A 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect the loss of the Company by approximately $850,000.

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
2015	$	74,491
2016		101,281
2017		103,895
2018		26,137
Total	**$**	**305,804**

No contingent liabilities have been accrued as of December 31, 2014, nor are any known disputes pending against the Company that could significantly impact the Company's condensed consolidated interim financial statements.

SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2014:

- On January 15, 2015, the Company received approval for graduation from Tier 2 issuer status to Tier 1 issuer status by the TSX-V.

- On January 30, 2015, 35,000 stock options were cancelled with an exercise price of $0.30.

- On February 2, 2015, the Company made a payment of US$246,205 to certain land holders of the Gunnison project which became due on the exercise of the option to acquire 100% ownership of the Gunnison Project. The US$246,205 consisted of a US$150,000 payment under the terms of a promissory note and a purchase price adjustment payment of US$96,205. The payments were obligations of the vendor of the Gunnison Project that were assumed by the Company on the exercise of the option to acquire the Gunnison Project and paid by the Company on February 2, 2015.

- On February 28, 2015, 50,000 stock options were cancelled 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, 2014, 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 condensed consolidated interim 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.