Excelsior MINING CORP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in US Dollars)

April 26, 2016

Independent Auditor's Report

To the Shareholders of Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the year then ended, and the related notes, which comprise 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 as issued by the International Accounting Standards Board, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter
Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that comparative information as at December 31, 2014 and January 1, 2014 and for the year ended December 31, 2014 has been restated due to a change in presentation currency to reflect the Company's results as if they had been historically reported in United States dollars. The financial statements of the Company for the year ended December 31, 2014 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unmodified opinion on those financial statements on April 23, 2015.

As part of our audit of the financial statements of the Company for the year ended December 31, 2015, we also audited the adjustments described in Note 2 that were applied to restate the financial statements for the year ended December 31, 2014. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Company for the year ended December 31, 2014 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2014 taken as a whole.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

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

	Note	December 31, 2015	December 31, 2014	January 1, 2014 (Note 2j)
ASSETS				
Current assets				
Cash and cash equivalents		**$ 6,306,680**	$ 10,006,114	$ 1,542,753
Prepaid expenses		**113,355**	77,945	82,273
Receivables		**767,105**	80,284	34,117
		7,187,140	10,164,343	1,659,143
Property, plant and equipment	3	**12,256,073**	125,935	120,079
Exploration and evaluation assets	4	**-**	296,799	-
Long term deposits	4	**222,790**	125,000	-
		$ 19,666,003	$ 10,712,077	$ 1,779,222
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 850,196**	$ 1,868,061	$ 277,461
Amounts due to related parties	7	**108,795**	211,595	72,192
Deferred consideration	3	**1,000,000**	-	-
		1,958,991	2,079,656	349,653
Long term deferred consideration	3	**2,200,000**	-	-
Asset retirement obligation	5	**3,299,052**	-	-
		7,458,043	2,079,656	349,653
Equity				
Capital stock	6	**30,924,103**	26,768,226	13,991,754
Other equity reserves	6	**5,244,344**	5,200,317	4,307,371
Deficit		**(23,131,491)**	(22,507,126)	(16,879,107)
Accumulated other comprehensive loss		**(828,996)**	(828,996)	9,551
		12,207,960	8,632,421	1,429,569
		$ 19,666,003	$ 10,712,077	$ 1,779,222

Nature of operations and liquidity risk	1
Commitments	13
Subsequent events	14

Approved on April 26, 2015 behalf of the Board of Directors:

"Colin Kinley" Director
Colin Kinley

"Jay Sujir" Director
Jay Sujir

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

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

	Note		2015		2014
Exploration and evaluation	4	**$**	**5,558,761**	$	5,749,931
Directors and officers fees	7		**828,749**		708,853
Office and administration			**542,996**		536,344
Investor relations			**375,997**		412,133
Professional fees			**352,222**		378,238
Regulatory fees			**172,528**		169,321
Share-based compensation	6		**126,345**		807,749
Financing cost			**113,333**		-
Plant and equipment holding and maintenance cost			**87,471**		-
Depreciation			**46,061**		44,012
Consulting fees			**-**		7,603
Gain on sale of royalty	4		**(7,703,201)**		(2,754,000)
Loss before other items			**(501,262)**		(6,060,184)
Other items					
Foreign exchange (loss)/gain			**(145,611)**		417,955
Other income			**22,508**		14,209
Loss for the year		**$**	**(624,365)**	$	(5,628,020)
Cumulative translation adjustment			**-**		(756,289)
Comprehensive loss for the year		**$**	**(624,365)**	$	(6,384,309)
Loss per common share:					
Basic and diluted		**$**	**(0.01)**	$	(0.08)
Weighted average number of common shares outstanding:					
Basic and diluted			**116,470,535**		81,666,315

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

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

		2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	**$**	**(624,365)**	$	(5,628,020)
Items not affecting cash:				
Depreciation		**46,061**		44,012
Gain on sale of royalty		**(7,703,201)**		(2,754,000)
Share-based compensation		**126,345**		807,749
Unrealized loss on foreign exchange		**145,611**		-
Non-cash working capital item changes:				
Receivables		**(345)**		(46,167)
Amounts due to related parties		**(102,800)**		139,403
Prepaid expenses		**(35,410)**		4,328
Accounts payable and accrued liabilities		**(1,056,752)**		1,344,397
Net cash used in operating activities		**(9,204,856)**		(6,088,298)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		**(246,205)**		(50,594)
Purchase of equipment		**(57,528)**		(51,187)
Deposit payment, net of refund		**(147,790)**		(125,000)
Royalty option payment received		**8,000,000**		2,754,000
Johnson Camp Mine acquisition		**(5,966,537)**		-
Net cash provided by investing activities		**1,581,940**		2,527,219
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares		**4,000,000**		13,746,800
Share issuance costs		**(30,724)**		(939,839)
Proceeds from stock option exercises		**104,283**		54,709
Interest payment		**(4,466)**		-
Net cash provided by financing activities		**4,069,093**		12,861,670
Net change in cash and cash equivalents		**(3,553,823)**		9,300,591
Effect of foreign exchange on cash and cash equivalents		**(145,611)**		(837,230)
Cash and cash equivalents, beginning of the year		**10,006,114**		1,542,753
Cash and cash equivalents, end of the year	**$**	**6,306,680**	$	10,006,114
Cash and cash equivalents consist of:				
Cash	**$**	**6,306,680**	$	628,612
Liquid short term investments		**-**		9,377,502
	$	**6,306,680**	$	10,006,114
Cash received for interest	**$**	**19,089**	$	11,005

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in US Dollars)

	Capital Stock						
	Number of Common Shares						
	Voting	**Non-Voting**	**Amount**	**Other Equity Reserves (Note 4)**	**Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance, December 31, 2013 (Note 2)	**59,124,179**	**7,007,876**	**$ 13,991,753**	**$ 4,307,371**	**$ (16,879,106)**	**$ 9,551**	**$ 1,429,569**
Non-voting share conversion	7,007,876	(7,007,876)	-	-	-	-	-
Stock option exercises	200,000	-	65,233	(10,524)	-	-	54,709
Public offering	48,469,507	-	13,746,800	-	-	-	13,746,800
Share issue costs – agent warrants	-	-	(95,721)	95,721	-	-	-
Share issue costs – cash	-	-	(939,839)	-	-	-	(939,839)
Share-based compensation	-	-	-	807,749	-	-	807,749
Loss for the year	-	-	-	-	(5,628,020)	-	(5,628,020)
Translation adjustment	-	-	-	-	-	(838,547)	(838,547)
Balance, December 31, 2014	**114,801,562**	**-**	**$ 26,768,226**	**$ 5,200,317**	**$ (22,507,126)**	**$ (828,996)**	**$ 8,632,421**
Stock option exercises	521,000	-	186,601	(82,318)	-	-	104,283
Private placement	23,081,362	-	4,000,000	-	-	-	4,000,000
Share issue costs – cash	-	-	(30,724)	-	-		(30,724)
Share-based compensation	-	-	-	126,345	-	-	126,345
Loss for the year	-	-	-	-	(624,365)	-	(624,365)
Balance, December 31, 2015	**138,403,924**	**-**	**$ 30,924,103**	**$ 5,244,344**	**$ (23,131,491)**	**$ (828,996)**	**$ 12,207,960**

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

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 1 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.

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.

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, 2015, the Company had working capital of $5,228,149 (December 31, 2014 - $8,084,687) and an accumulated deficit of $23,131,491 (December 31, 2014 - $22,507,126). 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.

Currently, the Company has sufficient funds to meet its estimated annual corporate costs. However, the Company does not currently have sufficient funds to complete all the engineering work associated with the completion of the Gunnison Project feasibility study, all of the permitting work associated with the receipt of all permits, and the funding of the care and maintenance, holding costs and deferred purchase payments relating to the Johnson Camp Mine. As at December 31, 2015, the Company did not have any pre-arranged sources of financing except for certain remaining royalty option payments that may or may not be received (refer to the Callinan Agreement further described in Note 4). The royalty payments are optional and at the sole discretion of the optionee and there is no certainty that they will be received. Should the Company not receive any proceeds from the exercising of the royalty options or be unsuccessful in raising additional funds, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

a. 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").

b. 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.

All financial information in these consolidated financial statements is presented in United States dollars ("USD" or "US dollars"), unless otherwise stated. References to CAD are to Canadian dollars ("CAD").

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

c. Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity 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 subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All intercompany transactions and balances have been eliminated.

Details of Company's subsidiaries 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
Excelsior Mining JCM, Inc. ("Excelsior JCM")	Arizona, United States	100%	Owner of copper production facilities

d. Critical Accounting Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported. Actual results could differ from those estimates and such differences could be significant.

Critical Judgments

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

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…)

d. Critical Accounting Estimates and Judgements (cont'd…)

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.

e. 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.

f. 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
Amounts accrued and due to related parties	Other liabilities	Amortized cost
Reclamation bonds	Loans and receivables	Amortized cost

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

g. 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.

h. Exploration and Evaluation Assets

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation assets are assessed for impairment indicators at the end of each reporting period.

Any option payments or proceeds from the sale of royalty interests received by the Company are credited to the capitalized cost of the related exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to mineral property development costs within mineral properties, plant and equipment and are carried at cost until the properties to which the expenditures related are sold, abandoned or determined by management to be impaired in value.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 ("NI 43-101") have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral property development costs.

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

i. 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.

j. Foreign Currency Translation

Items included in the financial statements of the Company and its wholly-owned subsidiaries, Excelsior Arizona, and Excelsior JCM, are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The functional currency of the Company and its subsidiaries is the USD. Effective January 1, 2015, the functional currency of the Company was changed from the Canadian dollar to the US dollar as a result of a change in underlying transactions, events and conditions, including raising financing in US dollars. The change in functional currency was applied prospectively from January 1, 2015 onwards.

Change in Presentation Currency

Prior to January 1, 2015, the Company reported its annual and quarterly statements of financial position and the related statements of loss, comprehensive loss, and cash flows in CAD. Effective January 1, 2015, the Company changed its reporting currency to the United States dollar to better reflect the Company's business activities and to facilitate comparability to similar mining companies in the sector. As a result and in accordance with International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*, the consolidated financial statements for all periods presented have been translated into US dollars. The consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows for each period have been translated into the presentation currency using the average exchange rate prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statement of financial position dates. Equity transactions have been translated at the exchange rate in effect on the date of the specific transaction. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income or loss. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of loss and comprehensive loss.

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

k. 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.

l. 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, an addition to a related asset, or a cost of issue of shares, as appropriate. 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.

m. 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.

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

n. 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 pre-tax 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.

o. Asset Retirement Obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related assets. The capitalized amount is amortized over the estimated life of the assets. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted costs. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

p. New Accounting Pronouncements

The Company has not adopted or applied any new or recently issued accounting pronouncements during the preparation of the consolidated financial statements for the year ended December 31, 2015 other than changing the presentation currency from Canadian dollars to United States dollars. The Company continues to evaluate the impacts of the recently issued, but not yet effective, accounting pronouncements discussed below:

IFRS 9, Financial Instruments (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

p. New Accounting Pronouncements (cont'd…)

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

IFRS 15, Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good and service. The standard replaces *IAS 18, Revenue*, and *IAS 11, Construction Contracts*, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 16, Leases

On January 13, 2016 the IASB issued IFRS 16, according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing IFRS 16's impact on its financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Johnson Camp Mine

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

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

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

As at December 31, 2015, the Company had made the Initial Payment as well as other payments to the Receiver pursuant to the payment terms set forth in the Purchase Agreement. The First Instalment and Final Instalment remained outstanding and are evidenced in the form of a secured interest bearing promissory note (the "JCM Note"). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full.

The Company determined the fair value of its short term and long term deferred consideration using the effective interest rate method with the following assumptions: discounting factor of 3% per annum, and discounting period of 12.5 months and 24.5 months, respectively. As such, the following liabilities were recorded in the Company's financial statements to account for the outstanding payments:

- Current portion of deferred consideration (First Instalment) - $1,000,000
- Long term portion of deferred consideration (Final Instalment") - $2,200,000

(Expressed in US Dollars)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

The purchase price has been allocated to the assets acquired and liabilities assumed based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been determined and allocated as follows:

Purchase price:		
Cash payment	$	5,301,920
Short term deferred payment		1,000,000
Long term deferred payment		2,200,000
Transaction costs		791,629
Total purchase price	$	9,293,549
Purchase price allocation:		
Accounts receivable	$	686,476
Property, plant and equipment		12,118,672
Accounts payable		(212,547)
Asset retirement obligation		(3,299,052)
Net assets acquired	$	9,293,549

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 Company's mineral property interests are located in the United States of America.

Option Agreements

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 and restated option agreement, Excelsior Arizona had the exclusive right to acquire 100% of the Gunnison Project for $350,000 to be paid as follows:

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

A further payment of $246,205 to certain land holders of the Gunnison Project became payable on the exercise of the option on the Gunnison Property. The acquisition costs were accrued as of December 31, 2014 and paid in February 2015.

The Company has fulfilled the above mentioned series of payments which gives it 100% ownership of the Gunnison Project.

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

Share Purchase and Royalty Agreement

On July 19, 2013, the Company entered into a Share Purchase and Royalty Option Agreement (the "Callinan Agreement") with Callinan Royalties Corporation ("Callinan"), now a wholly-owned subsidiary of Altius Minerals Corporation ("Altius"). Under the terms of the Callinan Agreement, Callinan was to invest CAD$1,000,000 in the Company by way of a non-brokered private placement and up to a further CAD$21,000,000 through the purchase of a staged gross revenue royalty ("GRR") on the Gunnison Project (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 CAD$0.16 per common share for aggregate consideration of CAD$1,000,000 (cash received and common shares issued on July 31, 2013); and

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

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

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

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

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 a 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 CAD$3,000,000 each, for a total of CAD$6,000,000. As at December 31, 2015, the Company had achieved the milestone related to the completion of hydrology and metallurgy models to a feasibility study level, however, Callinan did not subsequently exercise its option to acquire the additional 0.5% GRR.

Construction Option

The construction option gives Callinan the right to buy up to a 1% GRR for CAD$10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One half (0.5%) of the construction option has vested. One quarter (0.25%) of the construction option can no longer vest as a result of Callinan not exercising its second option to acquire an additional 0.5% GRR. The remaining one quarter (0.25%) of the construction option will vest if Callinan exercises its remaining royalty option related to the successful administrative review of the key permits.

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. As of December 31, 2015, as a result of Callinan declining to exercise the 0.5% GRR relating to the completion of the hydrology and metallurgy models to a feasibility study level, the remaining options have been reduced to 0.5% GRR for CAD$3,000,000 for the remaining development milestone and 0.75% GRR for CAD$7,500,000 for the construction milestone.

(Expressed in US Dollars)

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

Greenstone Financing

On October 21, 2015, the Company entered into a subscription agreement for a concurrent financing of $12 million with Greenstone Excelsior Holdings L.P. ("Greenstone"). The financing consisted of a private placement of common shares (the "2015 Private Placement") for gross proceeds of $4 million and the sale of a 2% gross revenue royalty on the Gunnison Project and the Johnson Camp Mine (the "2015 Royalty Financing") for gross proceeds of $8 million.

Because the proceeds from the sale of the royalty exceeded the carrying value of the Gunnison project, a gain on sale of royalty of $7,703,201 was recorded in the statement of loss and comprehensive loss.

Exploration and Evaluation Assets		Gunnison Property
Balance at December 31, 2013	**$**	**-**
Addition to acquisition costs		296,799
Balance at December 31, 2014	**$**	**296,799**
Adjustment due to sale of royalty		(296,799)
Balance at December 31, 2015	**$**	**-**

Exploration and Evaluation Expenses		For the years ended December 31, 2015		2014
Feasibility study	$	2,455,142	$	3,272,238
Pre-feasibility study		402,420		450,332
Sustainability		2,701,199		2,027,361
Total	**$**	**5,558,761**	**$**	**5,749,931**

LONG TERM DEPOSITS

During the year ended December 31, 2015 and as part of the completion of the Johnson Camp Transaction, the Company obtained $556,976 in surety bonds which were required by an Arizona State government agency and an Arizona based electric cooperative. The Company was required to fund $222,790 of the total surety bond amount with cash.

As at December 31, 2014, the Company had outstanding reclamation bonds for the Gunnison property of $125,000 registered with the Bureau of Land Management in Arizona and with the Arizona State Land Department. The bonds were terminated and funds were returned to the Company in 2015 in conjunction with the completion of the related exploration activities.

5. ASSET RETIREMENT OBLIGATION

As part of its acquisition of the Johnson Camp assets, the Company also obtained all of the associated environmental permits. Such permits require the completion of certain reclamation and closure obligations, which are expected to occur in two phases.

Phase one involves reclamation activities only on or about the year 2028. The estimated undiscounted phase one reclamation obligation is $2,352,000. At December 31, 2015, the present value of the future asset retirement obligation assumes a risk-free discount rate of 2.28% and an inflation rate of 0.70%, when considering prevailing rates in the United States of America at such time.

Phase two involves reclamation and closure activities to occur over a five year period commencing on or about the year 2045. The estimated undiscounted phase two reclamation obligation is $2,731,848. At December 31, 2015, the present value of the future asset retirement obligation assumes a risk-free discount rate of 3.00% and an inflation rate of 0.70%, when considering prevailing rates in the United States of America at such time.

As part of the completion of the Johnson Camp acquisition on December 14, 2015, the Company provided the Arizona Department of Environmental Quality with a surety bond of $432,476 as partial guarantee of the asset retirement obligation.

6. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

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

The following common shares were issued during the year ended December 31, 2015:

- On July 3, 2015, the Company issued 450,000 common shares in connection with the exercising of stock options with an exercise price of CAD$0.25 for proceeds of $89,494. These options had a carrying value of $71,057 which was reclassified from other equity reserves to capital stock.

- On July 8, 2015, the Company issued 71,000 common shares in connection with the exercising of stock options with an exercise price of CAD$0.265 for proceeds of $14,789. These options had a carrying value of $11,261 which was reclassified from other equity reserves to capital stock.

- On December 1, 2015, the Company completed the first tranche of a $4,000,000 financing with Greenstone, whereby Greenstone purchased 8,655,510 common shares at a price of $0.1733 (CAD$0.23) for gross proceeds of $1,500,000.

- On December 15, 2015, the Company completed the second tranche of $4,000,000 equity financing with Greenstone. Greenstone purchased 14,425,852 common shares of the Company for gross proceeds of $2,500,000. The Company incurred $30,724 of share issuance costs in conjunction with this financing. As at December 31, 2015, Greenstone holds 55.55 million common shares or approximately 40.1% of the Company's issued and outstanding common shares.

(Expressed in US Dollars)

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

Warrants

The following is a summary of warrants outstanding for the years ended December 31, 2014 and December 31, 2015:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2013	**1,844,166**	**CAD$0.50**
Expired	(1,844,166)	CAD$0.50
Issued	8,960,000	CAD$0.45
Outstanding, December 31, 2014 and 2015	**8,960,000**	**CAD$0.45**

During the year ended December 31, 2015, the Company did not issue any warrants.

As at December 31, 2015, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
8,960,000	CAD$0.45	0.49	June 27, 2016

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 option activity for the years ended December 31, 2014 and December 31, 2015:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2013	**10,656,000**	**$0.22**
Exercised	(200,000)	$0.22
Forfeited	(335,000)	$0.22
Granted	1,650,000	$0.19
Outstanding, December 31, 2014	**11,771,000**	**$0.21**
Exercised	(521,000)	$0.18
Forfeited	(514,000)	$0.19
Granted	4,800,000	$0.17
Outstanding, December 31, 2015	**15,536,000**	**$0.21**
Exercisable, December 31, 2015	**10,361,000**	**$0.21**

(Expressed in US Dollars)

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

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
4,500,000	-	CAD$0.23	4.96	December 16, 2020
100,000	-	CAD$0.23	4.96	December 16, 2020
200,000	-	CAD $0.30	4.64	August 19, 2020
250,000	125,000	CAD $0.25	3.92	December 1, 2019
500,000	250,000	CAD $0.26	3.81	October 20, 2019
2,800,000	2,800,000	$0.25	3.00	December 31, 2018
58,667	58,667	CAD$0.30	3.00	December 31, 2018
2,836,000	2,836,000	CAD$0.30	3.00	December 31, 2018
2,550,000	2,550,000	CAD $0.30	1.72	September 18, 2017
1,241,333	1,241,333	CAD $0.30	1.13	February 15, 2017
100,000	100,000	CAD $0.30	0.68	September 6, 2016
100,000	100,000	CAD $0.30	0.59	August 2, 2016
100,000	100,000	CAD $0.30	0.32	April 25, 2016
200,000	200,000	CAD $0.30	0.09	February 1, 2016
15,536,000	10,361,000			

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, 2015, the Company recognized share-based compensation of $126,345 (December 31, 2014 - $807,749).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Risk-free interest rate	0.64%	1.13%
Expected life of options	3.5 years	2.0 years
Annualized volatility	132.1%	113.0%
Dividend rate	0%	0%

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average 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.

(Expressed in US Dollars)

7. RELATED PARTY TRANSACTIONS

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

Key Management Personnel

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

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

	For the years ended December 31, 2015	2014
Share-based compensation	$ 70,731	$ 684,587
Short-term benefits*	827,709	655,026
	$ 898,440	**$ 1,339,613**

* 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 Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides administrative, management, regulatory, accounting, tax, legal, corporate development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount set out in the table below represents amounts 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.

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

	For the year ended December 31, 2015	2014
King & Bay	$ 628,760	$ 521,898

As at December 31, 2015, amounts accrued and due to related parties include the following:

- King & Bay - $53,165 (December 31, 2014 - $173,090)
- Michael Haworth, a director of the Company - $Nil (December 31, 2014 – $5,172)
- Roland Goodgame, executive vice president - $9,488 (December 31, 2014 - $Nil)
- SCT Holdings Management LLC, a company controlled by the CEO - $46,141 (December 31, 2014 - $33,333)

(Expressed in US Dollars)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions affecting cash flows from investing and financing activities during the year ended December 31, 2015.

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

- The Company issued 960,000 agent warrants in connection with its financing with a fair value of $95,721.
- Share issuance costs of $10,059 included in accounts payable and accrued liabilities
- Exploration and evaluation assets of $246,206 included in accounts payable and accrued liabilities.
- Reclamation deposit of $50,000 included in accounts payable and accrued liabilities.

9. SEGMENTED INFORMATION

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

Geographical information is as follows:

		As at December 31, 2015		As at December 31, 2014
Property, plant and equipment				
United States	$	12,243,830	$	118,508
Canada		12,243		7,427
	$	12,256,073	$	125,935
Exploration and evaluation assets				
United States	$	-	$	296,799
Long term deposits				
United States	$	222,790	$	125,000

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. FINANCIAL INSTRUMENTS

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, 2015.

As at December 31, 2015, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

<u>Credit risk</u>

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

The Company's cash 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 a receivable from an Arizona State government agency, a receivable from an Arizona based electric cooperative, both of which have investment grade credit ratings and paid the full amounts owing subsequent to year end, and 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.

<u>Liquidity Risk</u>

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

As at December 31, 2015, the Company has cash and cash equivalents balance of $6,306,680 to settle current liabilities of $1,958,991. The Company believes it has sufficient cash and cash equivalents to settle current liabilities. In the next twelve months the Company may need additional funding to complete its feasibility study and permitting activities on the Gunnison Project, as well as to meet obligations associated with Johnson Camp and for working capital purposes. See also Note 1.

11. FINANCIAL INSTRUMENTS (cont'd…)

Market Risk

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

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by large North American financial 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.

Consideration for the completion of the Johnson Camp Transaction included $3,200,000 in total deferred cash payments. The payments remained outstanding as at December 31, 2015 and are evidenced in the form of a secured interest bearing promissory note (the JCM Note). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full. The interest is fixed and therefore the Company is not subject to any related interest rate risk.

(b) 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 US dollars; the Company's recent financings were in US dollars but any future equity raised may be in either US dollars or Canadian dollars. As of December 31, 2015, less than 10% of cash and cash equivalents are held in Canadian dollar bank accounts. A 10% change in the Canadian dollar versus the US dollar exchange rate would affect the loss of the Company by approximately $6,000.

12. INCOME TAXES

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

		December 31, 2015		December 31, 2014
Loss for the year	$	(624,365)	$	(5,628,020)
Combined federal and state income tax rates		38.900%		39.225%
Income tax recovery based on the above rates	$	(256,610)	$	(2,207,591)
Increase due to:				
Difference in long term state tax rate		4,433		58,250
Non-deductible costs		4,401		3,271
Income tax benefits not recognized		234,044		2,146,070
Income tax expense (recovery)	$	-	$	-

The change in the combined federal and state income tax rates was due to legislative change in the state of Arizona.

(Expressed in US Dollars)

12. INCOME TAXES (cont'd…)

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

		December 31, 2015		December 31, 2014
Non-capital losses	$	3,320,740	$	3,689,377
Capital assets		(1,296,351)		(32,136)
Exploration and evaluation assets		4,144,639		3,641,389
Asset retirement obligation		1,259,743		-
Other		320,770		216,924
Net deferred tax assets	$	7,749,541	$	7,515,554

Deductible (taxable) temporary differences for which deferred taxes have not been recognized:

		December 31, 2015		December 31, 2014	Expiry Date
Non-capital losses	$	8,696,452	$	9,661,849	2030 to 2034
Capital assets		(3,394,922)		(84,158)	Unlimited
Exploration and evaluation assets		10,854,101		9,536,176	2036 to unlimited
Asset retirement obligation		3,299,052		-	Unlimited
Other		840,043		568,087	Unlimited
	$	20,294,726	$	19,681,954	

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

13. COMMITMENTS

Office space

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

Fiscal Year End		Office Lease Payments
2016	$	87,304
2017		89,557
2018		22,530
Total	**$**	**199,391**

Insurance policy

As of December 31, 2015, the Company had obtained various annual insurance policies in relation to the Johnson Camp Mine for a total amount of $240,460. The corresponding payment was made in January 2016.

14. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2015:

- On January 21, 2016, the TSX-V approved the extension of the expiry date of 3,891,333 stock options to December 31, 2018.

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 years ended December 31, 2015 and December 31, 2014.

All dollar figures presented are expressed in the United States dollar unless otherwise noted. The Company changed its presentation currency from Canadian dollars to US dollars effective January 1, 2015.

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.

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A as of April 26, 2016.

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; (ix) the details and timelines associated with the Johnson Camp Transaction (defined below) and related financings, and (x) the statements under the heading "Outlook" in this MD&A, including statements about the completion of a feasibility study, progress on permitting and the integration of the Johnson Camp Mine.

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, 2015:

- 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 OTCQX 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 and conducting care & maintenance operations on the adjacent Johnson Camp mine assets acquired.

PROPERTY, PLANT AND EQUIPMENT

Johnson Camp Mine

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

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

The transaction closed on December 14, 2015.

As at December 31, 2015, the Company had made the Initial Payment as well as other payments to the Receiver pursuant to the payment terms set forth in the Purchase Agreement. The First Instalment and Final Instalment remained outstanding and are evidenced in the form of a secured interest bearing promissory note (the "JCM Note"). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full.

The Company determined the fair value of its short term and long term deferred consideration using the effective interest rate method with the following assumptions: discounting factor of 3% per annum, and discounting period of 12.5 months and 24.5 months, respectively. As such, the following liabilities were recorded in the Company's financial statements to account for the outstanding payments:

- Current portion of deferred consideration (First Instalment) - $1,000,000
- Long term portion of deferred consideration (Final Instalment") - $2,200,000

The purchase price has been allocated to the assets acquired and liabilities assumed based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been determined and allocated as follows:

Purchase price:		
Cash payment	$	5,301,920
Short term deferred payment		1,000,000
Long term deferred payment		2,200,000
Transaction costs		791,629
Total purchase price	$	9,293,549
Purchase price allocation:		
Accounts receivable	$	686,476
Property, plant and equipment		12,118,672
Accounts payable		(212,547)
Asset retirement obligation		(3,299,052)
Net assets acquired	$	9,293,549

GREENSTONE FINANCING

On October 21, 2015, Excelsior entered into a subscription agreement with Greenstone Excelsior Holdings LP ("Greenstone") for a financing of $12.0 million in order to complete the Johnson Camp Transaction. The financing consisted of a private placement of common shares (the "2015 Private Placement") for gross proceeds of $4 million and the sale of 2% gross revenue royalty on the Gunnison Project and the JCM (the "2015 Royalty Financing") for gross proceeds of $8 million.

The 2015 Private Placement and 2015 Royalty Financing required shareholder approval under the rules and policies of the TSX-V and applicable Canadian securities laws. Excelsior obtained shareholder approval for the Private Placement and Royalty Financing at an extraordinary meeting of shareholders held on November 17, 2015.

On December 1, 2015, Excelsior announced the closing of the first tranche of the 2015 Private Placement. Greenstone purchased 8,655,510 common shares at a price of US$0.1733 (CAD$0.23) per common share in return for gross proceeds of US$1.5 million.

On December 15, 2015, Excelsior announced the closing of the 2015 Royalty Financing for gross proceeds of US$8 million and the closing of the second tranche of the 2015 Private Placement pursuant to which Greenstone purchased 14,425,852 common shares of Excelsior at a price of US$0.1733 (CAD$0.23) per common share for total gross proceeds of US$2.5 million.

As a result of the closing of both tranches of the Private Placement, Greenstone now holds a total of 55,550,869 common shares, which represents approximately 40.14% of Excelsior's issued and outstanding common shares. Greenstone has agreed that it will not, for a period of one year, dispose of the common shares it acquired pursuant to the Private Placement.

MINERAL PROPERTIES

Option Agreements

The Company, through its wholly-owned subsidiary Excelsior Arizona, entered into a series of option agreements to purchase the Gunnison Project located in Cochise County, Arizona. Under the Amended and Restated Option Agreement dated November 12, 2012 (the "Option Agreement"), the Company had the exclusive right to acquire 100% of the Gunnison Project for $350,000 to be paid according to the schedule below. The Company formally exercised the option and acquired 100% of the mineral interests that comprise the Gunnison Project by making all of the following payments:

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

As a result of the exercise of the option and pursuant to the terms of the Option Agreement, the Company made additional payments in the amount of $246,205 to certain land holders of the Gunnison Project. The acquisition costs were accrued as of December 31, 2014 and paid in February 2015.

Share Purchase and Royalty Agreement

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

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

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

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

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

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

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

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 CAD$3,000,000 each. As at December 31, 2015, the Company had achieved the milestone related to the completion of hydrology and metallurgy models to a feasibility study level, however, Callinan did not subsequently exercise its option to acquire the additional 0.5% GRR.

The construction option gives Callinan the right to buy up to a 1% GRR for CAD$10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One half (0.50%) of the construction option has vested. One quarter (0.25%) of the construction option can no longer vest as a result of Callinan not exercising its second option to acquire an additional 0.5% GRR. The remaining one quarter (0.25%) of the construction option will vest if Callinan exercises its remaining royalty option related to the successful administrative review of the key permits.

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.

As of December 31, 2015, as a result of Callinan declining to exercise the 0.5% GRR relating to the completion of the hydrology and metallurgy models to a feasibility study level, the remaining options have been reduced to 0.5% GRR for CAD$3,000,000 for the remaining development milestone and 0.75% GRR for CAD$7,500,000 for the construction milestone.

Summary of Results & Highlights

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

In addition, the Company has purchased the neighboring Johnson Camp Mine, a copper heap leach operation located due north of the Gunnison Project wellfield on the north side of Interstate 10. The JCM has not been mining new material for the leach pads since mid-2010 but the existing SX-EW plant is capable of producing 25 MM lbs./yr. with minimal upgrades, thereby satisfying the requirements for Stage 1 production from the Gunnison Project. Excelsior is maintaining the Johnson Camp Mine in care and maintenance mode and the SX-EW plant does not require additional work for the feasibility study evaluation.

In September 2014, the Company commenced a metallurgical drill program at the Gunnison Project. The program was comprised of ten diamond-drill holes totaling 5,899 feet of diamond drilling (11,306 feet total). The metallurgy drill program was completed in November 2014 and the Company submitted a total of 23 column test samples as well as 10 box test samples for metallurgical testing to be conducted by the independent laboratory MAG (Mineral Advisory Group). The samples collected were used to conduct extensive metallurgical testing, including column tests, acid consumption tests and rinse tests. The results of the metallurgical tests were used to determine copper extraction rates, acid consumption rates and rinsing procedures and rates.

On May 20, 2015, the Company announced interim results from the “fracture simulation” leach tests that were ongoing as part of the metallurgical testing program. The tests demonstrated that copper recovery from the fractured rocks occurs rapidly and relatively uniformly across all rock types. The tests have also allowed for detailed and quantitative acid consumption measurements.

On July 21, 2015, the final metallurgical results were announced. The final results from ten fracture simulation box tests indicate that copper leaches rapidly and relatively uniformly across all rock types. Forward modelling of the recovery time curves and acid consumption curves indicate average acid consumption at 100% acid soluble copper recovery (approximately 70% total copper recovery), would be in the range of 8 to 10 pounds of acid consumed for every pound of copper cathode produced. This is consistent with the previously reported prefeasibility study that used approximately 8.1 pounds of acid consumed for every pound of copper cathode produced. The results of the metallurgical testing are being 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. An additional 21 core holes from previous drilling programs were used as water level observations to provide a radial distribution of observation bores to each of the tested wells. Extensive geophysical logging was completed on all holes. The objective of the program was to characterize the hydrological parameters of the mineralized rocks by measuring groundwater movement through the rocks. Results were 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 for the Gunnison Project.

On July 28, 2015 the Company announced comprehensive hydrological results. The results generated hydrological conductivities in the range expected for typical fracture controlled deposits and show the deposit is suitable for in-situ recovery operations. Sustainable pump rates of up to 170 gallons per minute (gpm) were observed, which demonstrates favourable flow rates for potential in-situ copper recovery operations.

On February 9, 2016, Excelsior announced the results of the comprehensive Updated Prefeasibility Study (the "Updated PFS") on the North Star Deposit of the Gunnison Project and the supporting Technical Report was filed on March 28, 2016. The Updated PFS updated the Prefeasibility Study that was completed by Excelsior in 2014. The Updated PFS was completed as a result of the recent acquisition of the JCM and the use of a staged production approach. A summary of key highlights from the Updated PFS is included below. For further information regarding the Updated PFS please refer to the Technical Report filed on SEDAR at www.sedar.com entitled: "Gunnison Copper Project, NI 43-101 Technical Report, Prefeasibility Study Update" dated effective January 28, 2016.

Updated Prefeasibility Study Results

- An estimated Net Present Value ("NPV") of $1.2 billion pre-tax and $829 million post-tax
    - at 7.5% discount rate using a life of mine ("LOM") copper price of $2.75/lb;
- An estimated Internal Rate of Return ("IRR") of 57.9% pre-tax and 45.8% post-tax;
- Initial construction capital costs estimated at $45.9 million
    - includes 20% contingency, 16% EPCM, freight, mobile equipment, owner's costs and capital spares;
- An estimated payback period for initial capital of 1.8 years pre-tax and 2.6 years post-tax;
- Average life-of-mine operating costs estimated at $0.70/lb;
- All-In Cost (all capital plus operating costs) estimated at $1.24/lb;
- Over 850 million pounds of copper added to the probable mineral reserve, an increase of 24%;
- Total probable mineral reserve now of 4.4 billion pounds of copper (775 million short tons grading 0.29%);
- An estimated mine life of 27 years (24 years of commercial production);
- Staged production profile: initial production rate at an estimated 25 million pounds of copper cathode per annum using the existing JCM facilities, followed by an intermediate expansion stage to an estimated 75 million pounds per annum and final expansion stage to full production at an estimated 125 million pounds per annum (includes the construction of an acid plant at full production). The staged production profile makes possible the funding of future expansions out of cash flow;
- Staged production approach lowers initial capital costs, reduces financing risk and speeds the timeline to first production.

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

Excelsior's exploration work on the Gunnison Project is supervised by Dr. Stephen Twyerould, Fellow of AUSIMM, President and CEO of Excelsior, and a Qualified Person as defined by NI 43-101. Except as otherwise noted, Dr. Twyerould has reviewed and approved the technical information contained in this MD&A. Further information about the Gunnison Copper Project and the Johnson Camp Mine can be found on SEDAR at www.sedar.com entitled: "Gunnison Copper Project, NI 43-101 Technical Report, Prefeasibility Study Update" dated effective January 28, 2016.

OUTLOOK

The next steps for Excelsior include completing a feasibility study and the permitting process for the Gunnison Project.

Specifically, the results from the Updated Prefeasibility Study, all the recently completed field activities, as well as the technical data and previously acquired data will be used to optimize all aspects of the Gunnison Project, including well field design and production ramp up. The Company expects to complete the feasibility study before the end of 2016. Furthermore, the Company will assess how to best integrate the Johnson Camp Mine assets with the Gunnison Project.

Excelsior is working with both the ADEQ and the EPA and expects to receive draft permits by early 2017. Subsequent to a public review period, Excelsior anticipates receiving all operating permits by mid-2017.

SELECTED ANNUAL INFORMATION

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

	December 31, 2015	December 31, 2014	December 31, 2013
Revenue	$ nil	$ nil	$ nil
Total assets	19,666,003	10,712,077	1,779,222
Working Capital	5,228,149	8,084,687	1,309,491
Total non-current liabilities	5,499,052	-	-
Shareholders' equity	12,207,960	8,632,421	1,429,569
Cash dividends declared	-	-	-
Net loss for the year	624,365	5,628,020	1,837,275
Basic and diluted loss per share	0.01	0.08	0.03

REVIEW OF FINANCIAL RESULTS

Results of operations for the year ended December 31, 2015 compared to the year ended December 31, 2014:

For the year ended December 31, 2015, the Company reported a net loss of $624,365 ($0.01 per common share) compared to a net loss of $5,628,020 ($0.08 per common share) for year ended December 31, 2014.

Significant changes in the expense accounts are described as follows:

Exploration and evaluation, which primarily includes hydrology, metallurgy and geology work to support the requirements for a feasibility study, as well as for sustainability and permitting, decreased to $5,558,761 for the year ended December 31, 2015 compared to $5,749,931.

During the year ended December 31, 2015, the Company underwent a hydrology drilling program and continued with the collection of geological, hydrological and metallurgical data for the feasibility study and permitting that commenced in the fourth quarter of fiscal 2014, subsequent to completing a financing.

Feasibility study related activities represented approximately 44% of the exploration and evaluation expenses for the fiscal year 2015, while sustainability related activities represented 49% and pre-feasibility study activities represented the remaining 7% for the period. Hydrology related activities accounted for $2,746,362 (or 49%) of the total exploration and evaluation expense, being almost evenly split between feasibility and sustainability.

During the year ended December 31, 2014, the Company completed the original prefeasibility study and commenced with the collection of geological, hydrological and metallurgical data for the feasibility study and permitting. During the year ended December 31, 2015 and in conjunction with the acquisition of Johnson Camp, the Company commenced work on the Updated PFS, which was filed on March 28, 2016.

Exploration and evaluation expenses are further summarized as follows:

	For the Year Ended December 31, 2015	2014
Feasibility study		
Administration	$ 279,145	$ 135,567
Drilling	-	614,991
Engineering	-	95,088
Geochemistry	109,732	17,755
Geology	349,104	214,183
Geophysics	-	101,836
Hydrology	1,414,636	1,208,129
Metallurgy	302,525	884,689
	2,455,142	3,272,238
Pre-feasibility study		
Administration	-	82,383
Drilling	-	78,866
Engineering	402,420	101,383
Geochemistry	-	14,629
Geology	-	124,422
Hydrology	-	37,932
Metallurgy	-	10,717
	402,420	450,332
Sustainability		
Administration	136,685	135,567
Drilling	-	614,991
Geochemistry	75,646	17,755
Geology	21,398	-
Geophysics	-	50,919
Hydrology	1,331,727	1,208,129
Permitting	1,135,743	-
	2,701,199	2,027,361
Total	**$ 5,558,761**	**$ 5,749,931**

Directors' and officers' fees increased to $828,749 for the year ended December 31, 2015 compared to $708,853 in the prior year. The increase of $119,896 relates to the appointment of an Executive Chairman in June 2014 and increased compensation to certain executives in December 2014.

For the year ended December 31, 2015, investor relations expenses decreased to $375,997 from $412,133 incurred in the prior year, representing a decrease of $36,136. During the 2014 fiscal year, there were higher investor relations activities and external consultants engaged due to the various financings which were completed.

Professional fees of $352,222 (2014 - $378,238) decreased by $26,016 compared to the prior year due to an overall decrease in legal fees, that was partially offset by an increase in recruitment fees and tax advisory and compliance fees.

Share-based compensation expense decreased by $681,404 for the year ended December 31, 2015 compared to the prior year due to the extension of expiry dates on certain options and the issuance of additional stock options which resulted in additional compensation expense in 2014.

During the year ended December 31, 2015, the Company incurred financing costs of $113,333 (2014 - $nil) due to the 2015 Royalty Financing and interest accrued and paid on the JCM Note.

During the year ended December 31, 2015, the Company incurred plant and equipment holding and maintenance expense of $87,471 (2014 - $nil) subsequent to the completion of the Johnson Camp Transaction. The majority of the amount is comprised of payroll and utilities costs at JCM, which are expected to be ongoing until permitting and construction of the Gunnison Project has been completed.

During the year ended December 31, 2015, the Company's expenses were partially offset by a gain on the sale of a royalty in the amount of $8,000,000. Refer to "Greenstone Financing" for additional details.

During the year ended December 31, 2014, the Company's expenses were partially offset by a gain on the sale of a royalty in the amount of $2,754,000 as a result of a payment of CAD$3,000,000 received under the terms of the Callinan Agreement. Refer to "Mineral Properties" for additional details.

During the year ended December 31, 2015, the Company incurred a foreign exchange loss of $145,611 compared with a gain of $417,955 in the prior year. The difference of $563,566 was primarily the result of the effect of a strengthening US dollar relative to the Canadian dollar on the Company's Canadian dollar denominated cash and cash equivalents during 2015. Also included in the year ended December 31, 2014 amount was a gain on settlement of debt of $134,800 (2015-$nil).

For the year ended December 31, 2013, the Company maintained a reduced level of activity due to market conditions and its lower level of working capital. This resulted in lower exploration and evaluation expenditures and a lower net loss as compared to the 2014 and 2015 fiscal years. In 2014 the Company completed a prospectus financing in June and financings with Greenstone in September and October. These financings provided the Company with the necessary funds to complete an initial prefeasibility study and execute hydrology, metallurgy and geology work to support the requirements for a feasibility study, as well as for sustainability and permitting. As a result during 2014 and 2015, the Company's activity level and exploration and evaluation expenditures increased significantly.

SELECTED QUARTERLY INFORMATION

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

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Net income/(loss) for the period	$ 6,635,053	$ (1,442,142)	$ (1,992,573)	$ (3,824,703)
Income/(loss) per share (basic and diluted)	0.05	(0.01)	(0.02)	(0.03)
Total assets	19,666,003	2,404,378	3,952,678	5,401,945

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Net income/(loss) for the period	$ (4,951,434)	$ 848,217	$ (711,478)	$ (813,325)
Income/(loss) per share (basic and diluted)	(0.04)	0.01	(0.01)	(0.01)
Total assets	10,712,077	11,656,955	3,805,764	888,216

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 quarter of fiscal 2014 and fourth quarter of fiscal 2015, the Company reported net income as a result of a gain on the sale of a royalty to Callinan pursuant to the Callinan Agreement (See “Mineral Properties”) and a gain on the sale of a royalty to Greenstone (See “Greenstone Financing”), respectively.

During the fourth quarter of fiscal 2014, there was a significant increase in the net loss due to the increase in exploration, feasibility and sustainability activities subsequent to the completion of financings in the third quarter of fiscal 2014. Increased exploration, feasibility and sustainability activities continued throughout fiscal 2015. The significant increase in total assets during the fourth quarter of fiscal 2015 was primarily due to the completion of the Johnson Camp Transaction as well as the 2015 Private Placement and 2015 Royalty Financing.

Fluctuations in net loss for each quarter have been generally driven by the amount of exploration, feasibility and sustainability activities that the Company undertakes on the Gunnison Project during each quarter.

Results of operations for the three month period ended December 31, 2015 compared to the three month period ended December 31, 2014:

For the three month period ended December 31, 2015, the Company reported net income of $6,635,053 ($0.05 per common share) compared to a net loss of $4,951,434 ($0.04 per common share) for the three month period ended December 31, 2014.

Significant changes in the expense accounts are described as follows:

During the three month period ended December 31, 2015, exploration and evaluation expenses incurred on the Gunnison Project amounted to $651,806 (2014 - $4,318,029), a decrease of $3,666,223. During the fourth quarter of fiscal 2014, the Company incurred significant costs relating to the collection of geological, hydrological and metallurgical data for feasibility study and permitting purposes. A large portion of these costs related to hydrology.

The extensive field exploration program was substantially completed in the third quarter of fiscal 2015. During the fourth quarter of fiscal 2015, the activities and costs were primarily focused on the interpretation of data collected to optimize all aspects of the Gunnison Project as well as to prepare permit applications.

Furthermore, the Company continued working on the Updated PFS which considered the data and results from the exploration program, the integration of JCM and a staged production approach.

Exploration and evaluation expenses incurred during the three month period ended December 31, 2015 were made up of approximately 52% for sustainability (2014 – 43%), 27% for feasibility study (2014 – 57%) and 21% for the Updated PFS (2014 – nil) related activities. For the fourth quarter of fiscal 2015, exploration and evaluation expenses consisted primarily of permitting (36%) and engineering (21%), whereas in the fourth quarter of fiscal 2014, exploration and evaluation expenses consisted primarily of hydrology (55%) and drilling (26%). Exploration and evaluation expenses are further summarized as follows:

	For the Three Month Periods Ended December 31, 2015	2014
Feasibility study		
Administration	$ 30,903	$ 68,012
Drilling	-	566,027
Engineering	-	81,492
Geochemistry	7,319	5,902
Geology	56,892	132,179
Geophysics	-	87,606
Hydrology	61,525	1,182,902
Metallurgy	18,404	327,260
	175,043	2,451,380
Pre-feasibility study		
Engineering	139,642	-
	139,642	-
Sustainability		
Administration	48,650	68,012
Drilling	-	566,028
Geochemistry	119	5,903
Geology	4,449	-
Geophysics	-	43,804
Hydrology	48,822	1,182,902
Permitting	235,081	-
	337,121	1,866,649
Total	**$ 651,806**	**$ 4,318,029**

Directors’ and officers’ fees increased to $203,650 for the three months ended December 31, 2015 compared to $189,116 for the same period of the prior year. The increase of $14,534 relates to increased compensation to certain executives effective December 2014.

Office and administration expense comprises rent, overhead, insurance, travel and other such corporate costs. The increase of $23,875 for the three months period ended December 31, 2015 when compared to the same period of the prior year is a result of increased corporate activities in the fourth quarter of fiscal 2015 due to the Johnson Camp Transaction and the 2015 Private Placement and 2015 Royalty Financing.

For the three month period ended December 31, 2015, investor relations expenses decreased to $53,614 from $132,438 incurred during the same period of the prior year, resulting in a decrease of $78,824. During the

2014 period there were higher investor relations activities and external consultants engaged subsequent to the various financing which were completed. Most of the agreements with external consultants terminated during fiscal 2015.

Professional fees decreased by $500,227 for the three month period ended December 31, 2015 compared to the same period of the prior year mainly due to the reclassification of due diligence costs incurred throughout fiscal 2015 in relation to the Johnson Camp Transaction to the purchase consideration for JCM. See "Mineral Properties". For the three months period ended December 31, 2015, regulatory fees decreased to $41,468 from $72,708 incurred during the same period of the prior year, resulting in a decrease of $31,240. During the 2014 period the Company experienced increased regulatory fees due to the financing which was completed, the extension of expiry dates on certain options and the issuance of additional stock options.

Share-based compensation expense decreased by $107,447 for the three month period ended December 31, 2015 compared to the same period of the prior year. The extension of expiry dates on certain options which occurred in 2014 resulted in additional compensation expense in the fourth quarter of fiscal 2014.

During the three months period ended December 31, 2015, the Company incurred financing costs of $113,333 (2014 - $nil) due to the 2015 Royalty Financing and interest accrued and paid on the JCM Note.

For the three months period ended December 31, 2015, the Company incurred plant and equipment holding and maintenance expense of $87,471 (2014 - $nil) subsequent to the completion of the Johnson Camp Transaction. The majority of the amount is made up of payroll and utilities costs at JCM.

Foreign exchange loss increased by $256,175 for the three month period ended December 31, 2015 compared to the same period of the prior year as a result of the effect of a strengthening US dollar relative to the Canadian dollar on the Company's Canadian dollar denominated cash and cash equivalents.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $6,306,680 as of December 31, 2015 (December 31, 2014 - $10,006,114) and working capital of $5,228,149 (December 31, 2014 - $8,084,687). The decrease in cash and cash equivalents of $3,699,434 was driven by cash used in operating activities of $9,204,856, partially offset by net cash provided by investing activities of $1,581,940 and net cash provided by financing activities of $4,069,093, as further described below.

Cash used in operating activities during the year ended December 31, 2015 amounted to $9,204,856 compared to $6,088,298 during the same period of the prior year. The increase in cash outflow is primarily attributable to the increase of accounts payable and accrued liabilities that occurred during 2014 combined with the settlement of accounts payable and accrued liabilities during 2015.

Cash provided by investing activities for the year ended December 31, 2015 amounted to $1,581,940 compared to cash provided by investing activities of $2,527,219 for the same period of the prior year. During the year ended December 31, 2015, the amount was primarily driven by $8,000,000 (2014-$2,754,000) in proceeds from the sale of a royalty (refer to "Greenstone Financing"), partially offset by acquisition costs of $246,205 (2014-$50,594) incurred by the Company in relation to the exercising of its option to complete the purchase of 100% ownership of the Gunnison Project, the purchase of equipment of $57,528 (2014 - $51,187), net payments for deposits of $147,790 (2014-$125,000), and $5,966,537 (2014-$nil) in cash disbursed as part of the closing of the Johnson Camp Transaction.

Cash provided by financing activities for the year ended December 31, 2015 amounted to $4,069,093 (2014 - $12,861,670) and was comprised of gross proceeds of $104,283 (2014 - $54,709) from the exercising of stock options and gross proceeds of $4,000,000 (2014 - $13,746,800) relating to the issuance of common shares, partially offset by cash share issuance costs paid of $30,724 (2014 - $939,839) and $4,466 (2014-nil) in interest paid on the JCM Note. Refer to "Share Capital" for further details of share issuances and stock option activities for the years ended December 31, 2015 and 2014. 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 cash requirements through a combination of equity, debt or other instruments. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

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

Currently, the Company has sufficient funds to meet its estimated annual corporate costs. However, the Company does not currently have sufficient funds to complete all the engineering work associated with the completion of the feasibility study, all of the permitting work associated with the receipt of all permits, and the funding of the care and maintenance, holding costs and deferred purchase payments relating to Johnson Camp. As at December 31, 2015, the Company did not have any pre-arranged sources of financing except for certain remaining royalty option payments that may or may not be received (refer to the Callinan Agreement). The royalty payments are optional and at the sole discretion of the optionee and there is no certainty that they will be received. Should the Company not receive any proceeds from the exercising of the royalty options or be unsuccessful in raising additional funds, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

STATEMENT OF FINANCIAL POSITION INFORMATION

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

	As at December 31, 2015	As at December 31, 2014
Cash and cash equivalents	$ 6,306,680	$ 10,006,114
Prepaid expenses	113,355	77,945
Receivables	767,105	80,284
Property, plant and equipment	12,256,073	125,935
Exploration and evaluation assets	-	296,799
Long term deposits	222,790	125,000
Total Assets	$ 19,666,003	$ 10,712,077

	As at December 31, 2015	As at December 31, 2014
Accounts payable and accrued liabilities	$ 850,196	$ 1,868,061
Amounts due to related parties	108,795	211,595
Deferred consideration	1,000,000	-
Long term deferred consideration	2,200,000	-
Asset retirement obligation	3,299,052	-
Capital stock	30,924,103	26,768,226
Other equity reserves	5,244,344	5,200,317
Deficit	(23,131,491)	(22,507,126)
Accumulated other comprehensive loss	(828,996)	(828,996)
Total Liabilities and Equity	$ 19,666,003	$ 10,712,077

Assets

Cash and cash equivalents decreased by $3,699,434 during the year ended December 31, 2015 as previously discussed in "Liquidity, Financing and Capital Resources".

During the year ended December 31, 2015, prepaid expenses increased by $35,410 as the Company made various prepayments primarily for exploration and evaluation, partly offset by the amortization of prepayments made for insurance, listing fees and exploration and evaluation during the period.

Receivables increased by $686,821 during the year ended December 31, 2015 mainly due to a receivable from an Arizona State government agency and a receivable from an Arizona based electric cooperative that formed part of the Johnson Camp assets acquired. Both entities have investment grade credit ratings and the amounts have been received subsequent to December 31, 2015.

During the year ended December 31, 2015 and as part of the completion of the Johnson Camp acquisition, the Company obtained $556,976 in surety bonds which were required by an Arizona State government agency and an Arizona based electric cooperative. The Company was required to fund $222,790 of the total surety bonds amount with cash.

Liabilities

Accounts payable and accrued liabilities decreased by $1,017,865 during the year ended December 31, 2015 mainly as a result of the payment of various drilling and hydrology related invoices for the exploration work programs which commenced in the fourth quarter of 2014 as well as the payment of acquisition costs related to the Company exercising its final option for the acquisition of the Gunnison Project.

Amounts due to related parties decreased by $102,800 during the year ended December 31, 2015 primarily as a result of payment for services rendered by King & Bay West Management Corp. for the fourth quarter of fiscal 2014 which were unpaid as of December 31, 2014. For further details related to amounts due to related parties, refer to "Related Party Transactions".

As part of the acquisition of certain Johnson Camp assets completed in December 2015, the Company recorded liabilities for current ($1,000,000) and long-term deferred consideration ($2,200,000) in relation to the First and Final Instalment purchase price payments. The Company also obtained all of the associated environmental permits relating to Johnson Camp. Such permits require the completion of certain reclamation and closure obligations, which have a present value which has been estimated to be $3,299,052 and were recorded as a long-term asset retirement obligation.

Equity

Capital stock increased by $4,155,877 due to the exercise of 521,000 options for gross proceeds of $104,283 and a corresponding carrying value adjustment of $82,318, and the issuance of 23,081,362 common shares in relation to the 2015 Private Placement. Deductions from the capital stock account consisted of cash and non-cash share issuance costs. Refer to "Share Capital" for further details of share issuance and stock option activities for the years ended December 31, 2015 and 2014.

During the year ended December 31, 2015, the other equity reserve increased by $44,027 as a result of share-based compensation expense of $126,345 which was partially offset by the carrying value of stock options exercised in the amount of $82,318.

Share Capital

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

Security Description	December 31, 2015	Date of report
Common shares, voting	138,403,924	138,403,924
Stock Options	15,536,000	15,386,000
Warrants	8,960,000	8,960,000

The Company issued the following common shares during the year ended December 31, 2015:

- On July 3, 2015, the Company issued 450,000 common shares for proceeds of $89,494 in connection with the exercise of stock options with an exercise price of CAD$0.25. These options had a carrying value of $71,057 which was reclassified from other equity reserves to capital stock.

- On July 8, 2015, the Company issued 71,000 common shares for proceeds of $14,789 in connection with the exercise of stock options with an exercise price of CAD$0.265. These options had a carrying value of $11,261 which was reclassified from other equity reserves to capital stock.

- On December 1, 2015, the Company completed the first tranche of the 2015 Private Placement with Greenstone, whereby Greenstone purchased 8,655,510 common shares at a price of $0.1733 (CAD$0.23) for gross proceeds of $1,500,000.

- On December 15, 2015, the Company completed the second tranche of the 2015 Private Placement. Greenstone purchased 14,425,852 common shares of the Company for gross proceeds of $2,500,000. The Company incurred $30,724 of share issuance costs in conjunction with this financing.

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

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

	For the years ended December 31, 2015	2014
Share-based compensation	$ 70,731	$ 684,587
Short-term benefits*	827,709	655,026
	$ 898,440	**$ 1,339,613**

* 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 Chairman of the Company, which employs or retains certain officers of the Company. King & Bay provides administrative, management, regulatory, accounting, legal, 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.

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

	For the years ended December 31, 2015	2014
King & Bay	$ 628,760	$ 521,898

As at December 31, 2015, amounts accrued and due to related parties include the following:

- King & Bay - $53,165 (December 31, 2014 - $173,090)
- Michael Haworth, a director of the Company - $Nil (December 31, 2014 – $5,172)
- Roland Goodgame, executive vice president - $9,488 (December 31, 2014 – $Nil)
- SCT Holdings Management LLC, a company controlled by the CEO - $46,141 (December 31, 2014 - $33,333)

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

ACCOUNTING POLICIES

A complete summary of the Company's significant accounting policies is provided in Note 2 to the audited consolidated financial statements for the year ended December 31, 2015.

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

Functional Currency

Items included in the financial statements of the Company and its wholly-owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The functional currency of the Company and its subsidiaries is the United States dollar ("USD" or "US dollar"). Effective January 1, 2015, the functional currency of the Company was changed from the Canadian dollar to the US dollar as a result of a change in underlying transactions, events and conditions, including raising financing in US dollars. The change in functional currency was applied prospectively from January 1, 2015 onwards.

Change in Presentation Currency

Prior to January 1, 2015, the Company reported its annual and quarterly statements of financial position and the related statements of losses, comprehensive losses, and cash flows in Canadian dollars ("CAD"). Effective January 1, 2015, the Company changed its reporting currency to the United States dollar to better reflect the Company's business activities and to facilitate comparability to similar mining companies in the sector. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported. Actual results could differ from those estimates and such differences could be significant.

Critical Judgments

The preparation of 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 United States dollar for the Company and its subsidiaries.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9 Financial Instruments (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for de-recognition of financial assets and liabilities are carried forward from IAS 39.

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

IFRS 15, Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good and service. The standard replaces *IAS 18, Revenue,* and *IAS 11, Construction Contracts,* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 16, Leases

On January 13, 2016 the IASB issued IFRS 16, according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing IFRS 16’s impact on its financial statements.

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 or the JCM 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. However, Excelsior does have title insurance for the portions of the JCM that are patented mining claims and fee title property. The Gunnison Project and the JCM may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Excelsior has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Excelsior being unable to operate on all or part of the Gunnison Project or the JCM as permitted or being unable to enforce its rights with respect to all or part of the Gunnison Project or the JCM. This could result in Excelsior not being compensated for its prior expenditures relating to the properties.

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

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

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

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

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

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

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

Excelsior is dependent on the services of key executives including Excelsior's Chief Executive Officer and 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	Loans and receivables	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	Loans and receivables	Amortized cost

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

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

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

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

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

As at December 31, 2015, 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 a receivable from an Arizona State government agency, a receivable from an Arizona based electric cooperative, both of which have investment grade credit ratings and paid the full amounts owing subsequent to year end, and 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 audited consolidated financial statements for the year ended December 31, 2015. The Company believes it will have sufficient cash and cash equivalents to settle current liabilities and to support further advancement of the Gunnison Project. See "Liquidity, Financing and Capital Resources" above for further information regarding the Company's liquidity.

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.

Consideration for the completion of the Johnson Camp Transaction included $3,200,000 in total deferred cash payments. The payments remained outstanding as at December 31, 2015 and are evidenced in the form of a secured interest bearing promissory note (the JCM Note). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full. The interest is fixed and therefore the Company is not subject to any related interest rate risk.

(b) 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 US dollars; the Company's recent financings were in US dollars but any future equity raised may be in either US dollars or Canadian dollars. Less than 10% of cash and cash equivalents as at December 31, 2015 were held in Canadian dollar bank accounts. A 10% change in the Canadian dollar versus the US dollar exchange rate would affect the loss of the Company by approximately $6,000.

COMMITMENTS

Office space

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

Fiscal Year End		Office Lease Payments
2016	$	87,304
2017		89,557
2018		22,530
Total	**$**	**199,391**

Insurance policy

As of December 31, 2015, the Company had obtained various annual insurance policies in relation to the Johnson Camp Mine for a total amount of $240,460. The corresponding payment was made in January 2016.

SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2015:

> On January 21, 2016, the TSX-V approved the extension of the expiry date of 3,891,333 stock options to December 31, 2018.

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, 2015, 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.