



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021**

(Unaudited)

(Expressed in thousands of United States Dollars)

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in thousands of United States dollars)
As at

	<u>Note</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 24,452	\$ 13,606
Receivables		287	690
Prepaid expenses		713	861
Materials and supplies		<u>1,315</u>	<u>938</u>
		26,767	16,095
Property, plant and equipment	3	124,005	112,471
Restricted cash	4	<u>3,311</u>	<u>3,311</u>
Total Assets		<u>\$ 154,083</u>	<u>\$ 131,877</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 1,668	\$ 2,694
Amounts due to related parties		121	112
Lease liabilities		71	46
Insurance liabilities		263	434
Restricted share units		196	123
Note Payable	8	-	804
Debt	8	15,000	-
Derivative liabilities	6	<u>3,250</u>	<u>4,773</u>
		20,569	8,986
Lease liabilities		423	-
Note Payable	8	-	402
Debt	8	-	14,972
Derivative liabilities	6	99,467	85,699
Asset retirement obligation	7	<u>18,870</u>	<u>14,955</u>
Total liabilities		139,329	125,014
Equity			
Capital Stock	9	107,967	89,480
Other equity reserves	9	12,106	11,406
Deficit		(104,490)	(93,194)
Accumulated other comprehensive loss		<u>(829)</u>	<u>(829)</u>
Total Equity		<u>14,754</u>	<u>6,863</u>
Total Liabilities and equity		<u>\$ 154,083</u>	<u>\$ 131,877</u>

See note 1 - Nature of Operations and Going Concern

Approved on November 9, 2021 on behalf of the Board of Directors:

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<hr/>	<hr/>
Jim Kolbe	Fred DuVal
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Chair of the Audit Committee	Director

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF (INCOME) LOSS AND COMPREHENSIVE (INCOME) LOSS

(Unaudited - Expressed in thousands of United States dollars)

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2021	2020	2021	2020
Operating Expenses					
Johnson Camp holding and maintenance cost		\$ 21	\$ 758	\$ 41	\$ 2,270
Evaluation and permitting		337	355	882	583
Office and administration		137	323	531	1,245
Professional fees		160	101	583	434
Directors and officers fees		479	(21)	1,638	506
Investor relations		85	51	206	195
Share-based compensation	9	41	217	727	1,171
Regulatory fees		8	1	110	59
Depreciation		173	166	465	434
Total Operating Expenses		\$ 1,441	\$ 1,951	\$ 5,183	\$ 6,897
Other Items					
Loss (gain) on derivative at fair value		(5,621)	8,923	7,568	(4,875)
Financing expense		104	239	225	811
Interest income		(4)	(86)	(14)	(305)
Unrealized loss (gain) on foreign exchange		(2)	(1)	(31)	20
Paycheck Protection Program loan forgiveness	8	-	-	(1,090)	-
Other (income) loss		(110)	(122)	(545)	227
Total Other Items		\$ (5,633)	\$ 8,953	\$ 6,113	\$ (4,122)
(Income) loss and comprehensive (income) loss for the period		\$ (4,192)	\$ 10,904	\$ 11,296	\$ 2,775
(Earnings) loss per common share:					
Basic		\$ (0.02)	\$ 0.05	\$ 0.04	\$ 0.01
Diluted		\$ (0.02)	\$ 0.05	\$ 0.04	\$ 0.01
Weighted average number of common					
Basic		274,566,656	239,630,082	267,942,365	239,626,005
Diluted		274,801,703	239,630,082	267,942,365	239,626,005

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in thousands of United States dollars)

	Note	Nine months ended	
		September 30,	
		2021	2020
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
(Loss) income for the period		\$ (11,296)	\$ (2,775)
Items not affecting cash:			
Loss (gain) on derivative at fair value		7,568	(4,875)
Depreciation		465	434
Accretion of asset retirement obligation		193	143
Share-based compensation		773	1,171
Paycheck Protection loan forgiveness	8	(1,090)	-
Unrealized loss (gain) on foreign exchange		(31)	20
Non-cash working capital item changes:			
Receivables		403	76
Prepaid expenses		148	618
Materials and supplies		(377)	(971)
Accounts payable and accrued liabilities		60	(1,904)
Amounts due to related parties		9	(707)
Net cash used in operating activities		(3,175)	(8,770)
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Gunnison project construction		(268)	(6,703)
Mineral Properties		(8,601)	(2,374)
Net cash used in investing activities		(8,869)	(9,077)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Lease liabilities		(45)	(77)
Insurance liabilities		(171)	-
Paycheck Protection loan payments	8	(116)	-
Proceeds from Paycheck Protection Loan		-	1,206
Net proceeds from stock issuance		23,163	-
Debt financing		-	10,063
Deferred debt finance cost		28	-
Net cash (used) provided by financing activities		22,859	11,192
Net change in cash and cash equivalents		10,815	(6,655)
Effect of foreign exchange on cash and cash equivalents		31	(20)
Cash and cash equivalents, beginning of period		13,606	24,900
Cash and cash equivalents, end of period		\$ 24,452	\$ 18,225
Cash and cash equivalents consist of:			
Cash			
Supplemental cash flow disclosures:			
Interest paid		\$ 1,674	\$ 888

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EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021 AND 2020
(Unaudited - Expressed in thousands of United States dollars)

	<u>Capital Stock</u>		<u>Other Equity Reserves</u>	<u>Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Number of Common shares</u>	<u>Amount</u>				
Balance, December 31, 2019	239,588,748	\$ 89,306	\$ 9,935	\$ (72,930)	\$ (829)	\$ 25,482
Stock option exercises	41,334	157	(157)	-	-	-
Share-based compensation	-	-	1,194	-	-	1,194
Income for the period	-	-	-	(2,775)	-	(2,775)
Balance, September 30, 2020	<u>239,630,082</u>	<u>\$ 89,463</u>	<u>\$ 10,972</u>	<u>\$ (75,705)</u>	<u>\$ (829)</u>	<u>\$ 23,901</u>
Balance, December 31, 2020	240,235,255	\$ 89,480	\$ 11,406	\$ (93,194)	\$ (829)	\$ 6,863
Stock option exercises	834,579	-	-	-	-	-
Stock issuance	33,350,000	19,935	-	-	-	19,935
Restricted share unit exercises	203,344	-	30	-	-	30
Share issuance costs	-	(1,448)	-	-	-	(1,448)
Share-based compensation	-	-	670	-	-	670
Loss for the period	-	-	-	(11,296)	-	(11,296)
Balance, September 30, 2021	<u>274,623,178</u>	<u>\$ 107,967</u>	<u>\$ 12,106</u>	<u>\$ (104,490)</u>	<u>\$ (829)</u>	<u>\$ 14,754</u>

The shares issued (834,579) due to stock option exercises in the Q1 2021 period relate to the remaining shares issued for the stock option exercise undertaken during December 2020. A total of 2,075,000 stock options were exercised, of which 1,975,000 stock options were exercised in exchange for a substituted right, resulting in the net issuance of 1,481,086 common shares. Of the 1,481,086 common shares issued, 646,507 were settled in 2020, with the remaining 834,579 shares settled in January 2021.

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

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
(Unaudited - Expressed in thousands of United States dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Excelsior Mining Corp. (“Excelsior” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on June 9, 2005 and trades on the Toronto Stock Exchange under the symbol “MIN”. The address of the Company’s registered office is Suite 2400, 1055 West Georgia Street, Vancouver, BC, Canada V6E 3P3.

The Company is developing the Gunnison Project in Southeastern Arizona and is currently continuing to fund the holding and maintenance costs of the Johnson Camp Mine (“JCM”).

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

During the period ended September 30, 2021, the Company incurred a net loss of \$11.3 million, used cash flow from operations of \$3.2 million, and used cash for the Gunnison Project ramp up recorded in investing activities of \$8.9 million. As at September 30, 2021, the Company had working capital of \$6.2 million, including a cash balance of \$24.5 million. The Company also has certain current financial liabilities which carry financial covenants which may be breached within the next twelve months due to the Company’s delay in reaching production in the current year (further discussed below). These conditions represent a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company has recently announced that it is planning to restart the existing Johnson Camp Mine (JCM) pits and construction of a new heap leach pad to generate cash flow to continue to support the ramping up to production of the Gunnison project.

The Company has a loan in the amount of \$15 million due to Nebari Natural Resources Credit Fund I LLP (“Nebari”) on March 23, 2022. Although the Company expects that it will have sufficient funds to repay the Nebari loan on the due date, the Company is seeking an extension of the loan due date with Nebari to support its plan to restart JCM. The Company and Nebari have not yet reached a final agreement. An extension of the loan due date would also require an extension of the Leverage Ratio Grace Period from Triple Flag as explained below.

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the “Stream Agreement”), the Company is required to maintain a leverage ratio of 3.5:1. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). The applicability of the leverage ratio has been suspended until March 31, 2022 (the “Leverage Ratio Grace Period”). Management does not expect that the leverage ratio will be able to be met until sometime in 2023 if the Nebari loan due date is extended.

The Company and Triple Flag are currently discussing an extension of the Leverage Ratio Grace Period, but have not yet reached a final agreement. If the Company and Triple Flag are unable to agree to an extension of the Leverage Ratio Grace Period, then the Company expects that it will require additional sources of financing to execute the plan to restart JCM, while repaying the Nebari loan from its existing cash balance.

The Company's ability to continue operations, fund its mining interest expenditures and meet its obligations as they fall due is dependent on management's ability to secure additional financing or renegotiate terms of existing financing agreements. There can be no assurance that management will be successful in these endeavors. The Consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments could be material.

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
(Unaudited - Expressed in thousands of United States dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34, Interim Financial Reporting. Therefore, these condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2020.

All dollar figures are expressed in thousands of United States dollars unless otherwise indicated. Canadian dollars are expressed as “CAD\$”.

b. Impairment of long-lived assets

At the end of each reporting period, the Company’s long-lived 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 of disposal, and its value in use. Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future pretax 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. Management assessed impairment indicators for the Company’s long-lived assets and concluded that due to the delayed ramp up of the Gunnison Project an indicator of impairment exists as of September 30, 2021. Refer to note 3a for further details related to the impairment assessment.

c. Use of judgements and estimates – impact of COVID-19

The worldwide Covid-19 pandemic continues, and while some jurisdictions have eased restrictions recently, various governments have previously enacted restrictions on the movement of people and goods during periods of increasing positive infection rates. Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the virus known as COVID-19 and which have been reported to be more virulent. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19 during the year, it is anticipated that additional governments would again issue public health orders which might include restricting the movement of people and goods. This in turn might impact the Company’s supply chain as one of its primary sources for reagents is outside the borders of the US. Although copper prices have recovered with some subsidence of the global pandemic and the release of vaccines to counter the virus, copper prices could again be negatively impacted should there be a global resurgence of COVID-19. A continuing period of lower prices could significantly affect the Company’s economic potential or intentions with respect to the Gunnison Project.

While the media reports both new strains of the virus and a continuation of new COVID-19 cases globally, as of the date of these financial statements the State of Arizona has no travel restrictions in place and vaccinations are progressing. However, the State has previously demonstrated a willingness to issue defensive orders where it sees the need. Any such order that would significantly restrict the movement of people or goods could impact the Company’s ability to access its properties and complete exploration, development or production programs in the current year. The Company has considered that there may be a continuation of periodic restrictions on activities until a sufficient proportion of the population has been vaccinated in the fight against COVID-19. As a result, the Company maintains a cautious approach as to the timing of ramping up operations activities.

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The longer-term impact of these factors on the Company is not yet determinable, however they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of mineral property impairment and liquidity or going concern uncertainty. As a result, impairment indicators for our mineral properties could arise if current conditions persist. We continue to work on revisions to our forecasts and operational plans in light of the continuing situation.

In response to the uncertainty and risk surrounding the unfolding global COVID-19 pandemic, the Board of Directors determined that the most responsible decision was to place the Gunnison Project into a care and maintenance mode for an indefinite period commencing April 9, 2020. On August 12, 2020 the Company announced that it had commenced a small-scale start up, thus exiting the care and maintenance mode. As the Company continues to ramp up towards full production, it remains cognizant of the continued health risks to the Company's workforce related to COVID-19. Any significant interruption in the workforce could negatively impact the timing of the company's ramp up process. The Company has put in place various procedures to mitigate the risk of transmission of COVID-19 on site as the Health and Safety of our employees is our primary concern. The Company continues to maintain the wellfield in accordance with all state and federal permit requirements.

The Company has previously disclosed the various issues that have been identified during the ramp-up phase of initial production. Certain issues have been resolved (as detailed in the accompanying MD&A) but a variety of issues still need to be worked through, such as how to minimize the impact of carbon-dioxide on fluid flows and how best to maximize flow rates in general. The reduced flow rates are slowing ramp-up to name plate productions of 25 million pounds per annum. The Company believes this is a finite problem; however, in an effort to speed up the removal of the effects of carbon-dioxide or reduce its impact, the Company continues to investigate remedial processes. These are occurring in conjunction with daily operations. At this time the Company is unable to forecast when name plate production will be reached as it needs to complete its review of remedial processes and fully assess any required adjustments to the operating plan. To the end of the third quarter of 2021, total Copper production has reached 766,000 lbs. This low total production number is due to certain factors including reduced flow rates and the wellfield operating at a reduced capacity through the nine months of 2021 as certain wellfield optimization initiatives were being tested. Additional wellfield optimization initiatives are being planned or considered. Many of these may initially be disruptive to production ramp-up due to the installation and/or testing of equipment or the application of the initiative. While Management is focused on mitigating the impact of these initiatives on ramp-up, they may contribute to further extension of the production ramp-up period.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
(Unaudited - Expressed in thousands of United States dollars)

3. PROPERTY, PLANT AND EQUIPMENT

	Land & Mineral Properties	Plant	Vehicles & Mobile Equipment	Office Equipment & Capitalized Leases	Construction in Progress	Total
Cost						
At January 1, 2020	9,856	12,242	584	752	76,199	99,633
Additions	6,905	-	-	-	6,336	13,241
Change in Asset Retirement Obligation Estimate	1,425	-	-	-	-	1,425
At December 31, 2020	<u>18,186</u>	<u>12,242</u>	<u>584</u>	<u>752</u>	<u>82,535</u>	<u>114,299</u>
Accumulated Depreciation						
At January 1, 2020	(497)	(34)	(228)	(481)	-	(1,240)
Depreciation	(327)	(23)	(89)	(149)	-	(588)
At December 31, 2020	<u>(824)</u>	<u>(57)</u>	<u>(317)</u>	<u>(630)</u>	<u>-</u>	<u>(1,828)</u>
Net carrying amount	<u>17,362</u>	<u>12,185</u>	<u>267</u>	<u>122</u>	<u>82,535</u>	<u>112,471</u>
Cost						
At January 1, 2021	18,186	12,242	584	752	82,535	114,299
Additions ⁽¹⁾	8,841	-	-	499	(1,058)	8,282
Change in Asset Retirement Obligation Estimate	3,722	-	-	-	-	3,722
Disposals	-	-	-	(242)	-	(242)
At September 30, 2021	<u>30,749</u>	<u>12,242</u>	<u>584</u>	<u>1,009</u>	<u>81,477</u>	<u>126,061</u>
Accumulated Depreciation						
At January 1, 2021	(824)	(57)	(317)	(630)	-	(1,828)
Depreciation	(282)	(17)	(61)	(105)	-	(465)
Disposals	-	-	-	237	-	237
At September 30, 2021	<u>(1,106)</u>	<u>(74)</u>	<u>(378)</u>	<u>(498)</u>	<u>-</u>	<u>(2,056)</u>
Net carrying amount	<u>29,643</u>	<u>12,168</u>	<u>206</u>	<u>511</u>	<u>81,477</u>	<u>124,005</u>

⁽¹⁾ Includes revenue from copper sales.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
(Unaudited - Expressed in thousands of United States dollars)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- a.) At September 30, 2021 the Company reviewed impairment indicators for the Gunnison Project and concluded there was an indicator of impairment due to the delayed ramp up to commercial production and expected increase in operating costs of the project. In accordance with the Company's accounting policy, the recoverable amount was assessed as the higher of its fair value less costs of disposal (FVLCD), and its value in use. The recoverable amount was determined based on the FVLCD approach.

In arriving at FVLCD, discounted cash flows were obtained using the following significant assumptions:

- a.) the latest mineral reserves;
- b.) the production profile, operating costs and capital costs from the latest planning;
- c.) a copper price of \$3.50 per pound; and
- d.) real discount rate of 7.5%.

The Company's assessment of FVLCD exceeded the carrying amount of the Gunnison Project and as a result, no impairment loss was recognized in the statement of (income) loss and comprehensive (income) loss.

4. RESTRICTED CASH

As of September 30, 2021, the Company has restricted cash deposits of \$3,311 (December 31, 2020 - \$3,311) as collateral to secure the issuance of bonds.

Restricted cash of \$3,082 deposited in 2018 included \$444 for a reclamation bond as part of the Mined Land Reclamation Plan for the Johnson Camp Mine (JCM) and \$2,638 for the Class III Underground Injection Control Area Permit, required by the United States Environmental Protection Agency. In addition, \$222 was deposited prior to 2018 as collateral to secure the issuance of surety bonds. Interest earned of \$7 was added in 2020.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Trade payables	\$ 699	\$ 1,752
Accrued liabilities	760	282
Employee-related accruals	209	660
	<u>\$ 1,668</u>	<u>2,694</u>

Trade payables include the Company's obligations to suppliers of goods or services acquired on trade credit for goods received or services provided that have been invoiced but not yet paid. Accrued liabilities and employee-related accruals include estimated amounts for goods or services received but not yet invoiced by the supplier, as well as obligations that increase throughout the year and are settled at points in time, such as property taxes and employee bonuses.

6. DERIVATIVE LIABILITIES

On October 30, 2018 the Company entered into an agreement for a \$75,000 project financing package (collectively, the "Financing") with Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") for the purposes of developing the Gunnison Project. The closing of the Financing occurred on November 30, 2018. The Company determined that the stream obligation is a derivative liability, and as such, the stream obligation is recorded at fair value through profit or loss ("FVTPL") at each statement of financial position date.

The fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve based on COMEX futures, the long-term copper price volatility of 25.25% (December 31, 2020 – 22.08%), a discount rate which factors in the Company's credit spread of 7.95% (December 31, 2020 – 9.11%), the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

On November 30, 2018, pursuant to the Project Financing, the Company issued 3.5 million share purchase warrants at an exercise price of CAD\$1.50 per share and exercisable into 3.5 million common shares of the Company until November 30, 2023. The Company determined that the share purchase warrants are derivative liabilities.

On February 22, 2021 the Company issued an additional 33.35 million share purchase warrants as part of a bought deal Unit offering. The Units consisted of 1 (one) share of the Company’s common stock and 1 (one) share purchase warrant. The warrants have an exercise price of CAD \$1.25 per share and are exercisable into 33.35 million common shares of the Company until August 22, 2022. The warrants have been accounted for as derivative liabilities as they are denominated in a currency other than the functional currency of the Company.

Share purchase warrants – Triple Flag

As of September 30, 2021, the Company recorded the fair value of the share purchase warrants issued based on a Black-Scholes-Merton option-pricing model with the following assumptions:

- Underlying Share Price – CAD\$ 0.50 (December 31, 2020 – CAD\$ 1.12)
- Maturity Date – November 30, 2023
- Strike Price – CAD\$ 1.50
- Volatility – 62% (December 31, 2020 – 53%)
- USD/CAD Exchange Rate - \$0.7885 (December 31, 2020 - \$0.7853)

Share purchase warrants – 2021 Equity Financing

As of September 30, 2021, the Company recorded the fair value of the share purchase warrants issued based on the market price of the warrants of CAD\$0.045.

The following is a summary of the derivative activity through the nine months ended September 30, 2021:

	<u>Stream</u>	<u>Warrants</u>	<u>Total</u>
Fair value at December 31, 2019	\$ 78,887	\$ 740	\$ 79,627
Loss (gain) during the year	10,776	69	10,845
Fair value at December 31, 2020	\$ 89,663	\$ 809	\$ 90,472
Loss (gain) during the period	11,760	(4,192)	7,568
Addition	-	5,024	5,024
Issuance cost	-	(347)	(347)
Fair value at September 30, 2021	\$ 101,423	\$ 1,294	\$ 102,717

7. ASSET RETIREMENT OBLIGATION

The Company’s asset retirement obligation (“ARO”) represents management’s best estimate of the present value of costs that are expected to be incurred for mine closure and reclamation and rehabilitation costs for the JCM and the Gunnison Project. Based on the current projected mine life of the Gunnison Project, these costs and activities are not expected to begin until approximately 30 years after the start of operation on the Gunnison Project. During the third quarter of 2021, the Company reviewed the closure requirements under existing permits and the assumptions used in the present value calculation and adjusted the obligation to \$18,870 as of September 30, 2021. The update resulted in a net increase of \$3,915 from the ARO at December 31, 2020 of \$14,955.

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In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as of September 30, 2021, the Company used an inflation rate of 2.82% (2020 – 1.64%) and a discount rate of 2.08% (2020 – 1.65%) in calculating the present value of the obligation. The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30-year treasury bond index.

Changes in the ARO for the nine months ended September 30, 2021 and the year ended December 31, 2020 are summarized below.

<u>Asset Retirement Obligation</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Balance, beginning of period	\$ 14,955	\$ 13,327
Change in estimate	3,722	1,425
Accretion expense	193	203
Balance, end of period	<u>\$ 18,870</u>	<u>\$ 14,955</u>

8. DEBT

On October 31, 2019, the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP (“Nebari”) for a \$15,000 credit facility (the "Credit Facility"). The Credit Facility was fully drawn by May 31, 2020. During January 2021, the Company exercised both of its options to extend the maturity of the Credit Facility and Nebari agreed to the extensions. The extension of the maturity has the Credit Facility maturing on March 23, 2022. For the nine months ended September 30, 2021, the Company capitalized interest expenses of \$1,644.

<u>Credit Facility</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Proceeds	\$ 15,000	\$ 15,000
Less: unamortized transaction costs	-	(28)
Balance, end of period	<u>\$ 15,000</u>	<u>\$ 14,972</u>

On May 21, 2020 the Company signed a Promissory Note with the Bank of America under the Paycheck Protection Program (PPP) and was subsequently advanced a loan in the amount of \$1,206.

By March 31, 2021 the Company had been notified that the SBA had approved the forgiveness of \$1,090 of the PPP loan, and this amount has been recognized in “Other Items”.

The remaining loan balance of \$116 has been paid.

<u>Paycheck Protection Program Loan</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Balance, beginning of period	\$ 1,206	\$ -
Proceeds	-	1,206
Forgiveness	(1,090)	-
Repayments	(116)	-
Balance, end of period	<u>\$ -</u>	<u>\$ 1,206</u>

9. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

The authorized share capital of the Company consists of an unlimited number of common shares with no par value and an unlimited number of non-voting common shares with no par value. As of September 30, 2021, there were

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274,623,178 common shares outstanding and nil non-voting common shares outstanding. During the nine months ended September 30, 2021 a total of 834,579 common shares were settled (1,481,086 common shares were issued in 2020 of which 646,507 were settled in 2020, and the remaining 834,579 shares settled in January 2021), and 242,692 restricted shares units exercised in which 203,344 were issued through substituted rights.

On February 22, 2021, the Company closed a “bought deal” public offering (the “Offering”) of units of the Company (the “Units”) with Scotiabank and PI Financial Corp. as joint bookrunners and underwriters. The Company issued a total of 33,350,000 Units consisting of one common share and one common share purchase warrant at a price of CAD\$0.95 (US\$0.75) per Unit for gross proceeds of CAD\$31,683 (US\$24,959).

The warrants have been accounted for as derivative liabilities as they are denominated in a currency other than the functional currency of the Company.

Transaction costs related to the public offering were approximately CAD\$2,279 (US\$1,796) and resulted in net proceeds to the Company of CAD\$29,404 (US\$23,163).

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. The Plan reserves for issuance, along with the Company’s other Security-Based Compensation Plans a maximum of 10% of the issued and outstanding Common Shares at the time of a grant of options.

Options granted under the Plan have a maximum term of ten years. The exercise price of the options is determined by the Board of Directors and is not less than the closing price of the common shares on the last trading day prior to the date the options are granted. The vesting terms are at the Board of Directors’ discretion.

The Plan is an evergreen plan which provides that if any option has been exercised, then the number of common shares into which such option was exercised shall become available to be issued upon the exercise of options subsequently granted under the Plan. The Plan will operate in conjunction with the Restricted Share Unit Plan (the “RSU Plan”) and the Performance Share Unit Plan (the “PSU Plan”). The Stock Option Plan, RSU Plan and PSU Plan are collectively referred to as the “Security-Based Compensation Plans”.

The following is a summary of stock option activity for the year ended December 31, 2020 and the nine months ended September 30, 2021:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Outstanding, December 31, 2019	16,475,000	\$ 0.82
Granted	7,790,000	\$ 0.64
Exercised	(2,075,000)	\$ 0.33
Expired	(2,300,000)	\$ 0.23
Forfeited	(3,050,000)	\$ 1.00
Outstanding, December 31, 2020	16,840,000	\$ 0.85
Granted	1,235,000	\$ 0.77
Forfeited	(650,000)	\$ 0.94
Outstanding, September 30, 2021	17,425,000	\$ 0.84
Exercisable, September 30, 2021	13,383,750	\$ 0.89

There were no stock options exercised during the nine months ended September 30, 2021.

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As of September 30, 2021, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price CAD\$	Remaining life (years)	Expiry Date
100,000	100,000	0.77	0.34	January 31, 2022
4,330,000	4,330,000	1.00	2.09	November 2, 2023
100,000	100,000	1.00	1.62	May 15, 2023
3,345,000	3,345,000	1.02	2.49	March 26, 2024
300,000	300,000	1.15	1.22	December 19, 2022
200,000	200,000	1.18	0.86	August 10, 2022
200,000	200,000	1.20	0.98	September 21, 2022
100,000	100,000	1.25	1.40	February 22, 2023
150,000	150,000	1.29	1.52	April 9, 2023
200,000	150,000	0.96	3.20	December 10, 2024
260,000	195,000	1.12	3.33	January 28, 2025
275,000	200,000	0.92	3.39	February 19, 2025
1,480,000	1,480,000	0.48	3.48	March 24, 2025
4,450,000	2,225,000	0.60	3.54	April 15, 2025
100,000	50,000	0.80	3.89	August 19, 2025
800,000	-	0.73	3.87	August 12, 2025
435,000	108,750	0.82	4.44	March 8, 2026
600,000	150,000	0.74	4.50	March 31, 2026
17,425,000	13,383,750			

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for the risk-free interest rate, dividend yield, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. The Company recognized share-based compensation costs of \$727 for the nine months ended September 30, 2021 (September 30, 2020 - \$1,171) and capitalized \$71 (September 30, 2020 - \$158) to mineral properties in relation to stock options granted and vested during the nine months ended September 30, 2021.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the nine months ended September 30, 2021:

	September 30, 2021	December 31, 2020
Risk-free interest rate	0.95%	0.61%
Dividend yield	0.00%	0.00%
Volatility	52.47%	56.20%
Expected life of options	5.0 years	5.0 years
Forfeiture rate	12.27%	8.38%

Restricted Share Units

The Company's RSU Plan, adopted on June 28, 2018, provides for the grant of restricted shares to employees, consultants, officers, and directors of the Company. An individual restricted share unit will have the same value as one common share. The number of RSUs awarded, and its associated vesting terms, are determined at the discretion of the Board of Directors. The maximum aggregate number of common shares issuable to participants at any time pursuant to the RSU Plan, together with all other Security-Based Compensation Plans of the Company, may not exceed 10% of the currently issued and outstanding common shares of the Company at the time of a grant of the RSU.

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Upon each vesting date, participants receive the issuance of common shares from treasury equal to the number of RSUs vesting, or a cash payment equal to the number of vested RSUs multiplied by the fair market value of a common share, calculated as the closing price of the common shares on the TSX for the trading day immediately preceding such payment date; or a combination thereof. The RSU Plan is considered a cash-settled award plan, therefore, the RSU Plan is classified as a liability, and is measured at fair value on the grant date and is subsequently adjusted for changes in fair value at each reporting date until settlement. The fair value of RSUs is estimated based on the quoted market price of the Company's common shares on the last day of the reporting period.

A summary of the activity related to the Company's RSUs through the nine months ended September 30, 2021 is provided below.

<u>Restricted Share Units</u>	
Balance, December 31, 2019	100,000
Cancelled	(100,000)
Granted	2,016,092
Balance, December 31, 2020	2,016,092
Exercised	(242,692)
Granted	50,000
Balance, September 30, 2021	1,823,400

During the nine months ended September 30, 2021, the fair value of outstanding RSUs increased by \$73 (September 30, 2020 decreased by \$23), which were classified as share-based compensation costs.

10. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below.

Key Management Personnel

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

Remuneration attributed to key management personnel is summarized as follows:

	Nine Months Ended September 30,	
	2021	2020
Salaries, fees and benefits	\$ 1,485	\$ 1,196
Share-based compensation	\$ 678	720
Total	<u>\$ 2,163</u>	<u>\$ 1,916</u>

Salaries, fees and benefits to key management includes all salaries, bonuses, fees, and other employment benefits, pursuant to contractual employment agreements, consultancy or management services arrangements.

Other Related Parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, the Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides regulatory and corporate secretarial services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amounts shown in the table below represent amounts paid and accrued 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.

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Kinley Exploration LLC (“Kinley”) is an entity owned by Colin Kinley, a Director of the Company. Kinley provides certain technical services regarding project preparation and development to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount shown in the table below represents amounts paid to Kinley as reimbursement for legal fee expenses incurred by Kinley.

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

	Nine Months Ended September 30,	
	2021	2020
Kinley	\$ 100	\$ 50
King & Bay	138	123
Total	<u>\$ 238</u>	<u>\$ 173</u>

As of September 30, 2021, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - \$ 85 (September 30, 2020 - \$90)
- King & Bay - \$ 36 (September 30, 2020 - \$24)

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment in North America. The Company’s property, plant and equipment is primarily all in the United States.

12. FINANCIAL INSTRUMENTS

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Risk management is the responsibility of management and is carried out under policies approved by the Board of Directors. Material risks are monitored and are regularly discussed with the Audit Committee and Board of Directors.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates will affect the Company’s cash flows or value of its financial instruments.

Currency risk

The Company is subject to currency risk on financial instruments which are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses relating to these financial instruments would impact earnings (loss).

The Company is exposed to currency risk through cash and cash equivalents, accounts payable and accrued liabilities which are denominated in CAD\$. The balances in these accounts are not significant, therefore, the Company’s exposure to currency risk is considered minimal. The Company has not hedged its exposure to currency fluctuations at this time.

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Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents and the stream obligation. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its Canadian banking institution. The Company periodically monitors the investment it makes and is satisfied with the credit ratings of its banks. These investments generally have a fixed interest rate and therefore the risk is minimal.

The Company's outstanding debt obligations are at fixed interest rates and accounted for on the basis of amortized cost. Therefore, the carrying value of the Company's debt is not exposed to changes in market interest rates.

A 1% increase in the interest rate would decrease the value of the stream obligation by \$8,318, whereas a 1% decrease in the interest rate would increase the value of the stream liability by \$9,373.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for copper. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation, and political and economic conditions. The financial instrument impacted by commodity prices is the Stream obligation.

A 10% increase in the market price of copper would increase derivative liabilities by \$9,328, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by \$9,436.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, and restricted cash.

The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents with high-quality North American financial institutions.

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's objective in managing liquidity risk is to maintain sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of its financial assets and liabilities. Cash flow forecasting is performed regularly. The Company also holds surety bonds to support future environmental obligations.

As of September 30, 2021, the Company has cash and cash equivalents of \$24,452 to settle current liabilities of \$20,569.

Fair value estimation

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company is able to access at the measurement date.

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Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities, debt and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

The following table presents the Company’s financial assets and liabilities by level within the fair value hierarchy.

As of September 30, 2021	Carrying value	Fair Value		
	FVTPL	Level 1	Level 2	Level 3
Financial Liabilities				
Restricted share units	\$ 196	\$ -	\$ 196	\$ -
Derivative liabilities	102,717	1,178	-	101,539
	<u>\$ 102,913</u>	<u>\$ 1,178</u>	<u>\$ 196</u>	<u>\$ 101,539</u>

13. LEGAL

On June 24, 2020 a contractor filed suit in Texas to recover unpaid amounts related to drilling services that were provided to the Company. The Company disputed the action and all claims and causes of action were dismissed on December 7, 2020. The contractor refiled suit in Arizona against the Company seeking to recover unpaid amounts related to drilling services that were provided to the Company. The Company is disputing this action and the amounts payable to the contractor and believes that the Company will ultimately prevail. The Company filed a Motion to Dismiss the Arizona matter on March 4, 2021. A hearing was held on May 18, 2021 on the Motion to Dismiss. Judgment was delivered on June 16, 2021 granting the Company’s Motion to Dismiss in part. On August 16, 2021 the Company and the contractor entered into an agreement which settled all claims.

14. SUBSEQUENT EVENTS

On November 3, 2021 the Company became aware of a civil claim filed against the Company and certain of its officers and directors in the Supreme Court of British Columbia by MM Fund (the “Action”). The plaintiff seeks certification of the Action as a class proceeding on behalf of a class of all persons and entities, wherever they may reside or may be domiciled, who purchased the securities of the Company offered by the Company’s Prospectus Supplement dated and filed on February 12, 2021 (the “Prospectus”).

The plaintiff alleges that the Prospectus contained misrepresentations related to the Company’s anticipated timeline to achieve a production rate of 25 million pounds per annum. The plaintiff alleges that as a result of the misrepresentations in the Prospectus, the securities of the Company were sold to the public at an artificially inflated price. The plaintiff seeks an order certifying the Action as a class proceeding, a declaration the Prospectus contained a misrepresentation, unspecified damages, pre- and post-judgment interest and costs.

The Company contends the allegations made against it in the Action are meritless and will be vigorously defended, although no assurance can be given with respect to the ultimate outcome of the Action.