Excelsior MINING CORP

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Vancouver, Canada　　　　Chartered Accountants

April 29, 2013

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

ASSETS	**December 31 2012**	December 31, 2011
Current assets		
Cash and cash equivalents	**$ 1,364,122**	$ 5,382,104
Prepaid expenses	**156,503**	104,829
Receivables	**182,966**	220,021
	1,703,591	5,706,954
Equipment (Note 3)	**154,736**	73,824
Exploration and evaluation assets (Note 4)	**338,077**	193,037
	$ 2,196,404	$ 5,973,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 251,861**	$ 278,982
Due to related parties (Note 6)	**82,672**	170,489
	334,533	449,471
Warrant liability (Note 5)	**-**	446,723
	334,533	896,194
Shareholders' equity		
Capital stock (Note 5)	**13,887,428**	12,731,363
Other equity reserve (Note 5)	**4,089,228**	3,327,032
Deficit	**(16,108,720)**	(11,007,352)
Accumulated other comprehensive income (loss)	**(6,065)**	26,578
	1,861,871	5,077,621
	$ 2,196,404	$ 5,973,815

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)
Subsequent events (Note 13)

Approved on April 29, 2013 on behalf of the Board Directors:

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

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

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

		2012		2011
Consulting fees	$	**202,930**	$	91,574
Depreciation (Note 3)		**56,974**		17,742
Director fees		**100,672**		-
Exploration and evaluation (Note 4)		**2,544,213**		3,496,393
Insurance		**31,579**		14,078
Investor relations		**295,175**		478,478
Management fees		**309,876**		346,673
Office and administration		**195,723**		210,139
Professional fees		**86,636**		188,534
Regulatory fees		**71,353**		78,297
Rent		**120,969**		61,670
Share-based compensation (Note 5)		**800,129**		898,746
Travel and entertainment		**135,625**		194,636
Wages and salaries		**624,090**		574,373
		(5,575,944)		(6,651,333)
Gain/ (loss) on foreign exchange		**(9,181)**		1,528
Finance income		**37,034**		42,757
Unrealized gain on warrants		**446,723**		424,417
		474,576		468,702
Net loss for the year	$	**(5,101,368)**	$	(6,182,631)
Cumulative translation adjustment		**(32,643)**		(1,807)
Comprehensive loss for the year	$	**(5,134,011)**	$	(6,184,438)
Basic and diluted loss per common share	$	**(0.09)**	$	(0.12)
Weighted average number of common shares outstanding		**58,188,515**		53,491,468

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

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

		2012		2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	**(5,101,368)**	$	(6,182,631)
Items not affecting cash:				
Depreciation		**56,974**		17,742
Share-based compensation		**800,129**		898,746
Unrealized loss–foreign exchange		**6,915**		9,924
Unrealized gain on warrants		**(446,723)**		(424,417)
Non-cash working capital item changes				
Receivables		**37,055**		(142,364)
Due to related parties		**(87,368)**		89,138
Prepaid expenses		**(52,893)**		(21,615)
Accounts payable and accrued liabilities		**(32,016)**		77,818
Net cash used in operating activities		**(4,819,295)**		(5,677,659)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		**(139,263)**		(84,135)
Acquisition of exploration and evaluation assets		**(149,235)**		**-**
Net cash used in investing activities		**(288,498)**		**(84,135)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares and warrants, net of costs		**1,118,132**		7,832,911
Payment of notes payable		**-**		(251,434)
Net cash provided by financing activities		**1,118,132**		7,581,477
Net change in cash and cash equivalents during the year		**(3,989,661)**		1,819,683
Effect of foreign exchange on cash and cash equivalents		**(28,321)**		(8,013)
Cash and cash equivalents, beginning of the year		**5,382,104**		3,570,434
Cash and cash equivalents, end of the year	$	**1,364,122**	$	5,382,104
Cash and cash equivalents consist of:				
Cash	$	**164,122**	$	882,104
Liquid short term investments		**1,200,000**		4,500,000
	$	**1,364,122**	$	5,382,104
Cash paid (received) for interest	$	**66,393**	$	(21,951)
Cash paid (received) for income taxes	$	**-**	$	-

Supplemental disclosure with respect to cash flows (Note 7)

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, 2012 AND 2011
(Expressed in Canadian Dollars)

	Capital Stock Number of Shares Voting shares	Non-Voting	Amount	Other Equity Reserves	Deficit	Accumulated Other Comprehensive Income (loss)	Total
Balance, December 31, 2010	34,911,340	7,007,876	$ 6,207,749	$ 1,118,989	$ (4,824,721)	$ 28,385	$ 2,530,402
Private Placement	13,333,333	-	6,715,917	1,284,083	-	-	8,000,000
Share issue costs – cash	-	-	(437,963)	-	-	-	(437,963)
Share issuance costs – agent warrants	-	-	(147,898)	147,898	-	-	-
Warrant exercises	746,572	-	271,067	(35,393)	-	-	235,674
Stock option exercises	117,332	-	122,491	(87,291)	-	-	35,200
Share-based compensation	-	-	-	898,746	-	-	898,746
Loss for the year	-	-	-	-	(6,182,631)	-	(6,182,631)
Translation adjustment	-	-	-	-	-	(1,807)	(1,807)
Balance, December 31, 2011	**49,108,577**	**7,007,876**	**$ 12,731,363**	**$ 3,327,032**	**$ (11,007,352)**	**$ 26,578**	**$ 5,077,621**
Private Placement	3,383,334	-	1,015,000	-	-	-	1,015,000
Share issue costs – cash	-	-	(61,935)	-	-	-	(61,935)
Share issuance costs – agent warrants	-	-	(8,989)	8,989	-	-	-
Warrant exercises	382,268	-	211,989	(46,922)	-	-	165,067
Share-based compensation	-	-	-	800,129	-	-	800,129
Loss for the year	-	-	-	-	(5,101,368)	-	(5,101,368)
Translation adjustment	-	-	-	-	-	(32,643)	(32,643)
Balance, December 31, 2012	**52,874,179**	**7,007,876**	**$ 13,887,428**	**$ 4,089,228**	**$ (16,108,720)**	**$ (6,065)**	**$ 1,861,871**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"), and trades under the symbol "MIN". The address of the Company's registered office is #1240 - 1140 West Pender Street, Vancouver, BC, Canada V6E 4G1.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2012, the Company had working capital of $1,369,058 (December 31, 2011 - $5,257,483) and a deficit of $16,108,720 (December 31, 2011 - $11,007,352). The Company intends to finance it future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cause significant doubt on the entity's ability to continue as a going concern.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

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

Basis of measurement

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

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

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

Principles of consolidation

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

Details of the Company's subsidiary are as follows:

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

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

Critical accounting estimates and judgments

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

Critical Judgments

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

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 year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 5.

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

Critical accounting estimates and judgments (Cont'd…)

Key Sources of Estimation Uncertainty (Cont'd…)

Deferred tax Assets & Liabilities

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

Useful Life of Equipment

Equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Recoverability of Exploration & Evaluation Assets

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

Cash and cash equivalents

The Company considers all highly liquid short-term investments with a maturity of three months or less to be cash and cash equivalents. At December 31, 2012, the Company has $1,200,000 (2011 - $4,500,000) in short-term liquid investments.

Financial Instruments

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

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

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

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

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

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

Financial Instruments (Cont'd…)

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

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

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

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

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

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

Warrant liability has been measured at fair value using Level 2 inputs. See Note 5 for inputs and assumptions used to measure fair value.

Equipment

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

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

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

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

Exploration and Evaluation Assets

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

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

Future Reclamation Costs

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

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

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

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

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

Foreign Currency Translation

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

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

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

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

Loss per Share

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

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

Share-Based Payment Transactions

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

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

The Company recognizes the fair value of all warrants issued, recording the amount as an expense in the period, and addition to a related asset, or a cost of issue of shares, as appropriate. Where warrants have been issued in a currency that is different from the functional currency of the issuer, the warrants are included in the definition of a derivative and included under liabilities, unless the warrants are equity instruments and included in equity reserve. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. At each subsequent reporting period, warrants that are derivatives are re-measured in accordance with the accounting policy for financial instruments. Warrants that are equity instruments are not re-measured subsequent to grant unless the terms and conditions of the warrants are substantially amended.

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

Income Taxes

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

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

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

Impairment of Long-lived Assets

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

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

Comprehensive income (loss)

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

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

New accounting pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at December 31, 2012.

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") are effective for annual periods beginning on or after January 1, 2013 and introduce enhanced disclosure around the transfer of financial assets and associated risks. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 201. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

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

New accounting pronouncements (Cont'd…)

Amendments to IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28) have been made. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13. These amendments are effective for annual periods beginning on or after January 1, 2013. The Company will apply the new standard beginning on January 1, 2013 and do not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

Amendments to IAS 32, Financial Instruments: Presentation, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities. The Company is currently evaluating any impact that this new guidance may have on its financial statements.

3. EQUIPMENT

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	FURNITURE	TOTAL
Cost at December 31, 2010	$ 5,689	$ 2,175	$ -	$ -	$ 7,864
Additions during the year	5,203	27,863	53,480	-	86,546
Cost at December 31, 2011	10,892	30,038	53,480	-	94,410
Additions during the year	1,992	102,190	20,453	14,628	139,263
Cost at December 31, 2012	$ 12,884	$ 132,228	$ 73,933	$ 14,628	$ 233,673
Accumulated depreciation at December 31, 2010	$ 1,659	$ 723	$ -	$ -	$ 2,382
Current period depreciation	2,297	6,449	8,996	-	17,742
Accumulated depreciation at December 31, 2011	3,956	7,172	8,996	-	20,124
Current period depreciation	2,107	41,274	11,053	2,540	56,974
Accumulated depreciation at December 31, 2012	$ 6,063	$ 48,446	$ 20,049	$ 2,540	$ 77,098
Effects of foreign currency translation for the year ended December 31, 2011	$ (42)	$ (168)	$ (252)	$ -	$ (462)
Effects of foreign currency translation for the year ended December 31, 2012	$ (166)	$ (445)	$ (1,240)	$ 12	$ (1,839)
Net book value at December 31, 2011	$ 6,894	$ 22,698	$ 44,232	$ -	$ 73,824
Net book value at December 31, 2012	$ 6,655	$ 83,337	$ 52,644	$ 12,100	$ 154,736

(Expressed in Canadian dollars)

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 conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in the United States of America.

Gunnison Project

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

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

The Company must also pay up to further US$300,000 payable to certain landlords if the property goes into production. These payments will commence one year following the date upon which the property is put into production.

Exploration and evaluation assets		**Gunnison Property**
Balance, at December 31, 2010	$	188,785
Effect of foreign currency translation		4,252
Balance, at December 31, 2011	$	193,037
Addition to acquisition costs		149,235
Effect of foreign currency translation		(4,195)
Balance, at December 31, 2012	$	338,077

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

Exploration and evaluation expenses	**For the years ended December 31,**			
		2012		**2011**
Administration	$	68,983	$	28,218
Drilling		1,172,652		2,593,606
Geology		286,427		360,982
Petrology		7,778		-
Mineralogy		2,466		-
Metallurgy		316,077		44,479
Hydrology		569,888		170,281
Geophysics		97,013		166,972
Resource estimate		22,929		183,412
Government credits		-		(51,557)
	$	**2,544,213**	**$**	**3,496,393**

5. CAPITAL STOCK AND OTHER EQUITY RESERVE

Share issuances:

During the year ended December 31, 2012, the Company issued the following shares**:**

- 382,268 common shares were issued for proceeds of $165,067 in connection with the exercise of 140,000 finance warrants with an exercise price of US$0.65; 237,018 agent warrants with an exercise price of US$0.30; 1,750 agent warrant with an exercise price of US$0.50; and 3,500 agent warrants with an exercise price of US$0.65 per warrant. An amount of $46,922 was reclassified from other equity reserve to capital stock on exercise. Upon the exercise of the 1,750 compensation warrants, 875 agent warrants with an exercise price of US$0.65 per warrant were issued. These 875 additional warrants were exercised during the year, and included in the 3,500 agent warrants exercised at a price of US$0.65 per warrant.
- On June 28, 2012, the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of $1,015,000 through issuance of 3,383,334 units at a price of $0.30 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Due to fractional rounding, 1,691,666 finance warrants were issued as a result of this private placement. Each warrant is exercisable into one common share for a period of 24 months at an exercise price of $0.50.

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

During the year ended December 31, 2011, the Company issued the following shares:

- On February 24, 2011 the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of $8,000,000, through the issuance of 13,333,333 units at a price of $0.60 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant shall be exercisable to acquire one common share at an exercise price equal to $1.00 until February 28, 2013. $6,715,917 was allocated to the shares, and $1,284,083 was allocated to the warrants. The Company paid a finder's fee on certain subscriptions equal to 7% of the gross proceeds received from such subscriptions, and also issued 644,606 non-transferrable finder's warrants with a fair value of $147,898. Each finder's warrant may be exercised for one common share at an exercise price of $1.00 until February 28, 2013.
- 746,572 common shares were issued in connection with an exercise of 5,250 compensation warrants at a price of US$0.50, 523,000 compensation warrants at a price of US$0.25, 208,322 compensation warrants at a price of $0.45 and 10,000 warrants at a price of US$0.65. An amount of $35,393 representing the fair value of these warrants on granting was reclassified from other equity reserve to capital stock on exercise. Upon the exercise of 5,250 compensation warrants 2,625 warrants with an exercise price of US$0.65 per warrant and an expiry date of April 14, 2012 were issued.
- 117,332 common shares were issued in connection with an exercise of 117,332 stock options with an exercise price of $0.30 per option. An amount of $87,291 representing the fair value of these options on granting was reclassified from other equity reserve to capital stock on exercise.

(Expressed in Canadian dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Escrow shares

Pursuant to TSX Venture Exchange policies, 6,329,286 (2011-10,223,747) common shares and 3,854,335 (2011-5,606,303) non-voting common shares are held in escrow as at December 31, 2012. These common shares are held in escrow pursuant to the terms of three different escrow agreements.

Warrants

The following is a summary of warrants outstanding as at December 31, 2012:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2010	7,172,043	$ 0.69
Issued	7,313,890	1.00
Exercised	(746,572)	0.31
Expired	(2,766,603)	0.90
Outstanding, December 31, 2011	10,972,758	0.87
Issued	1,845,041	0.50
Exercised	(382,268)	0.44
Expired	(3,280,100)	0.63
Outstanding, December 31, 2012	9,155,431	$ 0.90

As at December 31, 2012, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
6,666,659[2]	$1.00	0.16	February 28, 2013
644,606[1,2]	$1.00	0.16	February 28, 2013
1,691,666	$0.50	1.49	June 28, 2014
152,500[1]	$0.50	1.49	June 28, 2014
9,155,431			

[1] Agents warrants
[2] Subsequently expired

(Expressed in Canadian dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Warrants (cont'd…)

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

	December 31, 2012	December 31, 2011
Risk-free interest rate	2.25%	1.75%
Expected life of warrants	2 years	2 years
Annualized volatility	90%	75%
Dividend rate	0%	0%

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

Warrant Liability

Balance, December 31, 2010	$ 871,140
Fair value of warrants expired/exercised	(424,417)
Balance, December 31, 2011	446,723
Fair value of warrants expired/exercised	(446,723)
Balance, December 31, 2012	$ -

The Company measures the fair value of outstanding warrants exercisable in a currency other than the functional currency of the issuer at the reporting date using the Black-Scholes option-pricing model based on the following assumptions:

	December 31, 2012	December 31, 2011
Risk-free interest rate	-	0.97%
Expected life of warrants	-	0.36 years
Annualized volatility	-	75%
Dividend rate	-	0%

Stock options

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

(Expressed in Canadian dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Stock options (Cont'd…)

The following is a summary of stock options outstanding as at December 31, 2012:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2010	6,543,333	$0.44
Granted	1,100,000	0.62
Exercised	(117,332)	0.30
Outstanding, December 31, 2011	7,526,001	$0.47
Granted	4,141,333	0.45
Forfeited	(682,000)	0.64
Cancelled	(30,000)	0.60
Outstanding, December 31, 2012	10,955,334	$0.45

At December 31, 2012 the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price		Remaining life (years)	Expiry Date
117,334[1]	117,334[1]	$	0.30	0.14	February 20, 2013
2,800,000	2,800,000	USD	0.25	1.96	December 18, 2014
58,667	58,667	$	0.30	2.37	May 14, 2015
3,038,000	3,038,000	$	0.60	2.79	October 14, 2015
150,000	150,000	$	0.60	2.84	November 1, 2015
200,000	150,000	$	0.62	3.09	February 1, 2016
150,000	112,500	$	0.60	3.32	April 25, 2016
200,000	100,000	$	0.60	3.59	August 2, 2016
100,000	50,000	$	0.50	3.68	September 6, 2016
1,441,333	360,333	$	0.73	4.13	February 15, 2017
2,700,000	-	$	0.30	4.72	September 18, 2017
10,955,334	6,936,834				

1- Subsequently expired

The weighted average exercise price of the outstanding and exercisable options is $0.45 and $0.46 respectively.

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, 2012, the Company recognized share-based compensation of $800,129 (2011 - $898,746). The weighted average fair value for options granted during the period is $0.29 (December 31, 2011 - $0.62) per option.

(Expressed in Canadian dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Share-based compensation (Cont'd…)

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

	December 31 2012	December 31 2011
Risk-free interest rate	1.22%	2.00%
Expected life of options	3.07 years	5 years
Annualized volatility	107%	75%
Expected forfeitures	4%	4%
Dividend rate	0%	0%

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

Other equity reserve

	Options and agent warrants	Finance warrants	Total
Balance, December 31, 2010	$ 748,975	$ 370,014	$ 1,118,989
Fair value of finance warrants	-	1,284,083	1,284,083
Fair value of agents warrants	147,898	-	147,898
Fair value of warrants exercised	(34,182)	(1,211)	(35,393)
Fair value of options exercised	(87,291)	-	(87,291)
Share-based compensation	898,746	-	898,746
Balance, December 31, 2011	$ 1,674,146	$ 1,652,886	$ 3,327,032
Fair value of agent warrants	8,989	-	8,989
Fair value of warrants exercised	(30,010)	(16,912)	(46,922)
Share-based compensation	800,129	-	800,129
Balance, December 31, 2012	$ 2,453,254	$ 1,635,974	$ 4,089,228

(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

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

Key management personnel

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

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

	Years Ended December 31, 2012	2011
	$	$
Share-based compensation	694,058	556,443
Short-term benefits*	409,876	306,673
Incentive compensation other than stock-based compensation	-	80,000
	1,103,934	**943,116**

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

Other related parties

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

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

	Years Ended December 31, 2012	2011
	$	$
King & Bay	**1,032,579**	**1,050,859**

Amounts due to related parties at December 31, 2012 included the following:

- SCT Holding Management LLC, a company controlled by the CEO –$Nil (December 31, 2011 - $13,560)
- King & Bay –$48,992 (December 31, 2011 - $144,217)
- Directors fees - $33,680 (December 31, 2011 - $Nil)
- Taloumba Inc., a company controlled by the VP Exploration –$Nil (December 31, 2011 - $12,712)

(Expressed in Canadian dollars)

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

- 140,000 finance warrants with an exercise price of US$0.65; 237,018 agent warrants with an exercise price of US$0.30; 1,750 agent warrants with an exercise price of US$0.50; and 3,500 agent warrants with an exercise price of US$0.65 per warrant were exercised. An amount of $46,922, representing the fair value of warrants on granting was reclassified from other equity reserve to capital stock on exercise.
- The Company issued 152,500 finder's warrants in connection with its financing as described in Note 5, with the fair value of $8,989

The following were significant non-cash transactions affecting cash flows from operating, investing, and financing activities during the year ended December 31, 2011:

- The Company issued 644,606 agent warrants in connection with its financings as described in Note 5, with a fair value of $147,898.
- 10,000 finance warrants at a price of US$0.65; 250,000 agent warrants at a price of $US0.25; 5,250 agent warrants at a price of US$0.50,and 208,322 compensation warrants at a price of $0.45 were exercised. An amount of $35,393, representing the fair value of warrants on granting was reclassified from reserves to share capital on exercise.
- 117,332 stock options at a price of $0.30 per option were exercised; upon the exercise a fair market value of $87,249 was reclassified from contributed surplus to capital stock.

8. SEGMENTED INFORMATION

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

Geographical information is as follows:

	December 31, 2012	December 31, 2011
Equipment		
United States	$ 153,481	$ 72,058
Canada	1,255	1,766
	$ 154,736	$ 73,824
Exploration and evaluation assets		
United States	$ 338,077	$ 193,037
Canada	-	-
	$ 338,077	$ 193,037

9. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity or ability of prompt liquidation. Cash and cash equivalents, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities. The Company's other financial instrument, warrants liability, under the fair value hierarchy is recorded at fair value based on level two inputs as outlined in Note 5.

As at December 31, 2012, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

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

Liquidity Risk

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

The Company manages liquidity risk through its capital management as outlined in Note 10. As at December 31, 2012, the Company has a cash and cash equivalents balance of $1,364,122 to settle current liabilities of $334,533. The Company believes it has sufficient cash and cash equivalent to settle current liability as they become due.

Market Risk

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

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments included in cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of December 31, 2012, the Company did not have any interest bearing debt.

(b) Price risk

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

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the Company's recent financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2012, the Company's net US dollar financial assets were US$14,060. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect other comprehensive income (loss) by $2,566 and net loss by $3,965.

(Expressed in Canadian dollars)

10. CAPITAL DISCLOSURES

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

In the management of capital, the Company considers components of shareholders' 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 period.

11. COMMITMENTS AND CONTINGENCIES

The company expects to pay $79,418 in 2013, $82,798 in 2014, and $13,894 in 2015 with regards to the lease of its Phoenix office.

No contingent liabilities have been accrued as of December 31, 2012 and 2011, nor are any known disputes pending against the Company that could significantly impact the Company's consolidated financial statements.

12. INCOME TAXES

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

	December 31, 2012	December 31, 2011
Loss for the year	$ (5,101,368)	$ (6,182,631)
Expected income tax recovery	$ (1,275,000)	$ (1,638,000)
Permanent difference	94,000	133,000
Change in foreign tax and foreign exchange rates	(432,000)	(499,000)
Share issuance costs	(15,000)	(116,000)
Change of future income tax rates applied versus current statutory rate, and other	102,000	84,000
Change in unrecognized deductible temporary differences	1,526,000	2,036,000
Total income tax recovery	$ -	$ -

(Expressed in Canadian dollars)

12. INCOME TAXES (Cont'd…)

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

	December 31, 2012	December 31, 2011
Exploration and evaluation assets	$ 2,275,000	$ 1,392,000
Equipment	30,000	7,000
Share issuance costs	165,000	218,000
Non-capital losses available for future periods	2,582,000	1,910,000
	5,052,000	3,527,000
Unrecognized deferred tax assets	(5,052,000)	(3,527,000)
Net deferred tax assets	$ -	$ -

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

	December 31, 2012		December 31, 2011	
Exploration and evaluation assets	$ 6,139,000	no expiry	$ 3,616,000	no expiry
Equipment	$ 79,000	no expiry	20,000	no expiry
Share issuance costs	$ 660,000	2033 - 2036	872,000	2032 - 2035
Non-capital losses available for future periods	$ 8,338,000	2015 - 2032	5,953,000	2015 - 2031

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

13. SUBSEQUENT EVENTS

The following are the transactions subsequent to the year ended December 31, 2012:

- On April 18, 2013, 2,009,577 voting and 1,051,181 non-voting shares were released from escrow.

GENERAL

Management's discussion & analysis ("MD&A") is intended to supplement and complement the consolidated financial statements of Excelsior Mining Corp. (the "Company" or "Excelsior"). The information provided herein should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2012.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. The Company's consolidated financial statements as of and for the year ended December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Consequently, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

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

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

FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" 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 Measured, Indicated and Inferred mineral resources; (ii) the market and future price of copper and related products; (iii) success and details of exploration activities; (iv) permitting time lines; (v) currency fluctuations; (vi) requirements for additional capital; (vii) government regulation of mining operations; (viii) environmental risks; (ix) unanticipated reclamation expenses; (x) title disputes or claims; (xi) limitations on insurance coverage; (xii) increases in mineral resource estimates; (xiii) construction and development timeline; and (xiv) completion of a pre-feasibility study.

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 (as defined herein) 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. Such factors include 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, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in copper prices and the worldwide demand for and supply of copper and related products, risks related to increased competition in the market for copper and related products and in the mining industry generally, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, 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, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Gunnison Project may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

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.

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 and is classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). The Company was previously classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

On October 14, 2010, the Company completed a reverse takeover ("RTO") by acquiring all of the issued and outstanding common shares of AzTech Minerals, Inc. ("AzTech") in exchange for 22,359,173 voting common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. The Company is listed on the TSX-V under the symbol "MIN", Frankfurt Stock Exchange under the symbol "3XS", and on QTCQX under the symbol "EXMGF". Currently, the Company is conducting exploration and evaluation activities related entirely to the Gunnison Copper Project located within the copper porphyry belt of Arizona.

MINERAL PROPERTIES

The Gunnison Copper Project (or the "Property") is located within the copper porphyry belt of Arizona, 65 miles southeast of Tucson and 1.5 miles southeast of the Johnson Camp Copper Mine. The Property is located near the I-10 freeway and covers 6,405 acres (2,592 hectares). The North Star Deposit contains a Measured & Indicated mineral resource of 3.21 billion pounds of oxide copper and an additional Inferred mineral resource of 0.83 billion pounds of oxide copper and remains open for expansion (refer to tables below for grade and tonnage).

NORTH STAR OXIDE RESOURCE (AT 0.1% CUT-OFF)

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

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

Mineral resources that are not mineral reserves do have not demonstrated economic viability.

The oxide copper portion of the deposit has the potential to be mined using in-situ recovery ("ISR") methods. This could allow the copper to be recovered at a much lower cost than conventional mining methods. Copper has successfully been extracted using ISR in Arizona on numerous occasions.

The following represents a brief summary of key activities, milestones and deliverables associated with the ongoing advancement of the Gunnison Copper Project during the year ended December 31, 2012. Information related to prior periods is included where contextualization for 2012 activities is deemed appropriate.

During 2011, the Company completed significant exploration work on the Gunnison Copper Project, including drilling and hydrological and metallurgical testwork programs. Based on this exploration work, on December 1, 2011, the Company announced the results of the Preliminary Economic Assessment ("PEA") on the North Star Deposit of the Gunnison Copper Project. The PEA was completed by M3 Engineering & Technology Corporation ("M3") of Tucson, AZ and is effective as of November 18, 2011. The complete report, entitled "Gunnison Copper Project Preliminary Economic Assessment, NI 43-101 Technical Report", was filed on SEDAR and posted on Excelsior's website on January 13, 2012 (the "PEA Technical Report"). The PEA results are positive and support Excelsior's contention that copper extraction at Gunnison via ISR has the potential to generate positive financial returns. The study showed that the low capital costs and low per pound operating costs provide the project with significant margins, which could act as a buffer from commodity market volatility.

Highlights of the North Star Gunnison Copper Project PEA include:

- After-Tax NPV of **US$561.7 million** (discounted at 7.5%, using US$2.50 copper price)
- After-Tax IRR of 30%
- Payback period of 3.6 years
- Initial capital costs of US$324.7 million (including SXEW plant, Infrastructure and Acid Plant)
- Total operating costs of US$0.68 per pound (averaged over life of mine)
- Royalty of US$0.01 per pound
- Annual production rate of 85.65 million pounds of copper
- Commercial production expected to commence in 2015, with a mine life of 20 years

As highlighted in the table below, the PEA illustrates very strong project economics in both the "Acid Plant" and "Base Case" (no acid plant) scenarios, with the Acid Plant option adding an additional US$80.7 million to the project NPV. Based on an annual production rate of 85.65 million pounds, the PEA indicates that including an Acid Plant as a component of the project, generates an after-tax Net Present Value ("NPV") of US$561.7 million, at a cash flow discount rate of 7.5%. The after-tax internal rate of return ("IRR") for this option is 30%. Initial capital expenditures for this option (including contingency) are estimated at US$324.7 million.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions reached in the PEA will be realized. Mineral resources that are not mineral reserves have not demonstrated economic viability.

Excelsior has not yet completed a pre-feasibility study or feasibility study to demonstrate the economic viability of the Gunnison Project. Furthermore, no Mineral Reserves have been established on the Gunnison

Project. Any statements regarding planned production rates, projected cash flows, payback period, IRR, NPV, construction timelines and commercial production in 2015 assume that Excelsior is or will be able to complete all of the required steps to bring the Gunnison Project into commercial production including the completion of a feasibility study to demonstrate the economic viability of the Gunnison Project, the completion of the permitting process, the conclusion of infrastructure agreements for railway transportation and power, that Excelsior obtains the necessary project financing to pay for the capital costs to develop and construct a mine at the Gunnison site. There is no certainty that Excelsior will be able to complete any or all of these steps and reference should be made to the "Forward-Looking Information" section of this MD&A.

Without an Acid Plant, the project still has a significant after-tax NPV of US$480.9 million and an IRR of 34%, at an 8% discount rate. Initial capital expenditures for this "Base Case" option are US$239.9 million. Details of both financial models are shown in the table below.

Both scenarios used the following parameters over the 20 year life of the project.

- copper selling price of US$2.50 per pound
- total copper recovery of approximately 41.8% of the Indicated plus Inferred oxide resources
- average of 9 pounds of acid consumed for every pound of copper produced
- acid price of US$100/ton for the Base Case and US$42.2/ton for the Acid Plant option
- state tax rate of 6.97%, and
- federal tax rate of 35%.

As noted above, this PEA is effective as of November 18, 2011 and was based on a resource estimate dated August 31, 2011, which recorded an Indicated oxide copper mineral resource of **3.21 billion pounds** (511 million tons at 0.31% copper) and an additional Inferred oxide copper mineral resource of **0.88 billion pounds** (159 million tons at 0.28% copper). Mineral resources that are not mineral reserves have not demonstrated economic viability.

Results of the Preliminary Economic Assessment on the North Star Deposit.

Excelsior Financial Model 2011	**Unit**	**Acid Plant**	**Cost/lb**	**Base Case**	**Cost/lb**
Copper Cathode sold	**MMlb**	**1,706**	**-**	**1,706**	**-**
Copper Price	**$/lb**	**2.50**	**-**	**2.50**	**-**
Gross Revenue	**$000's**	**4,265,436**	**-**	**4,265,436**	**-**
Royalties	**$000's**	**(19,618)**	**(0.01)**	**(19,618)**	**(0.01)**
Operating Costs					
Production (Wellfield)	$000's	(635,708)	(0.37)	(1,032,833)	(0.61)
SXEW	$000's	(415,224)	(0.24)	(463,504)	(0.27)
G&A	$000's	(108,198)	(0.06)	(108,198)	(0.06)
Sub-total Operating Costs	**$000's**	**(1,159,130)**	**(0.68)**	**(1,604,535)**	**(0.94)**
Initial Capital Costs					
Production (Wellfield)	$000's	(83,999)	(0.05)	(83,999)	(0.05)
SXEW + Infrastructure	$000's	(146,294)	(0.09)	(146,294)	(0.09)
Owners Costs	$000's	(9,650)	(0.01)	(9,650)	(0.01)
Acid Plant	$000's	(84,808)	(0.05)	-	-
Sub-total Initial Capital Costs	**$000's**	**(324,751)**	**(0.19)**	**(239,943)**	**(0.14)**
Sustaining Capital Costs	**$000's**	**(348,295)**	**(0.20)**	**(339,597)**	**(0.20)**
Taxes	**$000's**	**(762,508)**	**(0.45)**	**(615,248)**	**(0.36)**

Excelsior Financial Model 2011 NPV and IRR	Unit	Acid Plant	Cost/lb	Base Case	Cost/lb
Discount Rate		7.50%		8.00%	
Pre-Tax Cash Flow	$000's	2,317,799		1,984,965	
Pre-Tax NPV	$000's	883,034		732,842	
Pre-Tax IRR		40%		47%	
Payback (years)		2.7		2.1	
Post-Tax Cash Flow	$000's	1,555,292		1,369,718	
Post-Tax NPV	$000's	561,659		480,924	
Post-Tax IRR		30%		34%	
Payback (years)		3.6		3.2	

Sustaining capital costs include reclamation and rehabilitation costs of $23.8 million for the Acid Plant option and $15.1 million for the "Base Case" (no acid plant option).

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

Highlights of the Gunnison Copper Project EIS include:

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

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

On March 29, 2012 Excelsior announced the commencement of its 2012 work program for the Gunnison Copper Project. The program was designed to advance the project geologically, hydrologically and metallurgically. The geological component of the program, designed to upgrade and expand the existing mineral resource, was completed with a total of 10,502 feet (3,150 metres) having been drilled. Highlights of the assay results received from this phase of the program are presented in the table below. Notably, the results from drill hole NSD-24 represent one of the best mineralized intersections identified to date from the Gunnison Copper Project.

2012 Gunnison Copper Project Drill Results				
Drill Hole	From (feet)	To (feet)	Interval (feet)	Total Cu (%)
NSD-23	557	1500	943	0.24
NSD-24	751	1350	599	0.79
	1540	1890	350	0.33
NSD-25	637	1500	863	0.49
NSD-26	500	1168	668	0.38
NSD-27	420	1004.5	584.5	0.27

All samples are prepared from manually split half-core sections on site in Arizona. Split drill core samples are then sent to Skyline Assayers & Laboratories in Tucson, Arizona for Total Copper and Sequential

Copper analyses. Standards, blanks, and duplicate assays are included at regular intervals in each sample batch submitted from the field as part of an ongoing Quality Assurance/Quality Control Program.

The metallurgical component of three holes, totaling 3,178 feet (968.7 metres) was completed with samples sent to Metcon Research of Tucson, AZ for analysis. The metallurgical analysis was completed under the direction of Dr. Ronald J. Roman, P.E, an independent consultant who is a Qualified Person (QP) as defined by NI43-101. The QP verified the underlying test data through his supervision of the program.

Six leach box tests were completed on whole HQ core (~63.5mm diameter), representing a range of rock types and varying from low permeability (low fracture intensity) to high permeability (high fracture intensity). As expected, the samples with the higher fracture intensity (permeability) gave the higher copper extractions, averaging approximately 51% total copper extraction.

The results of these six leach box tests are summarized in the following table:

Sample #	Rock Type	Permeability	Grade* (Total Cu%)	Days Leached	Extraction % Total Cu
2	Upper Abrigo	Low	0.65	45	32
5	Upper Abrigo	High	0.55	45	49
3	Lower Abrigo	Moderate	0.55	45	28
4	Middle Abrigo	High	0.36	45	52
7	Martin	Low	0.80	45	19
8	Martin	High	1.93	82	54

* Calculated head grade

When factored for the effects of the test procedure, average acid consumption numbers are in line with the PEA results.

In addition to the metallurgic tests summarized above, a further 17 metallurgical tests were completed to explore the relative effects of leach solution acid strength and irrigation flow rate on copper extraction and acid consumption.

The 17 individual tests were subdivided into two groups.

1. **Submerged leach tests.** These modified column-leach tests generated recoveries of acid soluble copper in the range of **82% to 95%** over periods from 49 to 99 days. Higher recoveries were achieved with higher acid concentrations or longer leach times.

2. **Acid consumption tests.** These tests were designed to evaluate relative acid consumption from in-situ leaching versus standard metallurgical testing. The tests demonstrated that standard metallurgical testing (including the submerged leach tests) significantly over-estimates acid consumption compared to values expected under in-situ operating conditions.

Submerged leach tests details

Submerged leach testing employs a protocol similar to column leach testing but modified to more closely reflect conditions during in-situ leaching. These tests were designed to be repeatable and to evaluate the response of mineralization to in-situ leaching at different flow rates and acid concentrations. During the current reporting period, five of the 13 tests were completed and the results are presented in the table below. The remaining eight tests are still under active leaching and results are pending. The five tests completed are from the Lower Abrigo rock formation.

Higher acid concentrations (e.g. column 9) and/or longer leach times (e.g. column 13) generated higher recoveries, indicating 100% acid soluble copper is recoverable given sufficient time, acid concentration and economics.

Results from submerged leach tests on the Lower Abrigo formation.

Column	Head Grade[1] %Cu		Flow rate[2], lph/m^2	Acid content[3], gpl acid	Days leached[4]	Recovery, %	Acid Consumption[5] lbs/lbs
	Cu total	Cu acid soluble				Cu acid soluble	
9	0.31	0.23	22	15	61	**95**	19
10	0.33	0.26	37	10	49	**85**	12.6
11	0.28	0.21	22	10	61	**87**	17.3
12	0.29	0.21	22	5	61	**82**	9.7
13	0.28	0.20	11	5	99	**92**	12.6

1. Calculated head grade
2. Flow rate in litres per hour per cross-sectional square metre
3. Acid concentration in grams per litre of free acid
4. Days leached includes one or two days of post leach rinsing but does not include the extended post leach rinsing period
5. Acid consumption in pounds of acid consumed per pound of copper recovered

Acid consumption test details

The nature of the copper oxide mineralization at North Star, in combination with standard metallurgical testing procedures on drill core, results in more of the un-mineralized rock, known as "gangue", being inadvertently exposed to the acid solution than would be expected during normal in-situ mining conditions. This overexposure results in inflated acid consumption rates from metallurgical testing compared to those expected during actual in-situ operational conditions.

To demonstrate this, two pairs of identical samples were collected from the Martin formation within the North Star deposit. Man-made exposures on one half of each pair were coated with an impermeable acid resistant epoxy, leaving the naturally occurring, mineralized fractures, uncoated. In this way, the leach solution could only react with the naturally occurring fractures in the coated sample, just as it would during real-world in-situ leaching conditions. As a control, the other half of the pair was left uncoated, as would occur in standard metallurgical testing (including the submerged leach tests described above). All samples were then submerged in a dilute acid solution and the amount of copper leached and acid consumed were monitored.

After 72 days submerged in dilute sulfuric acid, the acid consumption was up to **82% less** for the epoxy coated samples (simulating in-situ conditions), compared to the uncoated samples (see table below). While the testing is continuing, these results clearly show the inadvertent overestimation of acid consumption that occurs during standard metallurgical testing as compared to expected operational conditions.

Results of comparative acid consumption tests.

Sample	Epoxy	Acid Consumption* lbs/lb Cu	% change in acid consumption
C1	Uncoated	11.30	
C2	**Coated**	**2.07**	**-82%**
F4	Uncoated	23.93	
F3	**Coated**	**13.99**	**-42%**

* Acid consumption in pounds of acid consumed per pound of copper recovered

These acid consumption tests were conducted by independent consultant Mountain States R&D International, Inc. of Tucson, Arizona under the supervision of Dr. Ronald J. Roman of Leach, Inc., Tucson, Arizona. Dr. Roman is an independent consultant who is a Qualified Person (QP) as defined by National Instrument (NI) 43-101. Dr. Roman has verified the data underlying the test results by designing the test procedure, supervising the test work, obtaining all the analytical data over the life of the experiment and performing the calculations presented above.

Hydrological testing completed as part of the 2012 work program consisted of two wells drilled in order to validate the predicted aquifer conditions within highly and moderately fractured zones of the Gunnison Project's North Star deposit. Drill site locations were selected using Excelsior's new 3D structural geological model which allows for the prediction of structural domains throughout the deposit, which in turn allow for the prediction of permeability conditions.

Five day constant rate pump tests were completed on wells NSH-5 and NSH-4B. These wells were surrounded by 13 observation wells at different radial locations and distances from the pumping wells. Both drawdown and recovery phases of the test were monitored in the individual test wells and observation wells. In addition, extensive geophysical logging, geological logging, assaying, and water quality sampling were completed for the test wells and various observation wells.

Aquifer testing at well NSH-5 indicated a hydraulic conductivity (K) of approximately **5 feet per day** (ft/day), measured over an interval from 724 to 1,024 feet below surface, while aquifer testing at well NSH-4B had a K value of approximately **0.5 ft/day** over an interval from 685 to 1,031 feet below surface. These results confirm Excelsior's hydro-geological model and are consistent with previous hydrological testing performed at the North Star Deposit, and are consistent with K values from similar ISR projects. These results are actually higher than the average hydrologic conductivity of 0.4 ft/day (160 millidarcys) used in the Preliminary Economic Assessment. Hydraulic conductivity is a measure of the efficiency with which water moves through rock; it is measured in feet per day and/or millidarcys.

As noted previously, the geological component of the 2012 work program was designed to upgrade and expand the existing mineral resource. The details of this upgraded mineral resource, presented in the following table, are effective as of March 1, 2013 and are based on the copper oxide resource only, using a 0.1% total copper cut-off grade.

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

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

Mineral resources that are not mineral reserves do have not demonstrated economic viability. For further details on the upgraded mineral resource estimate, please refer to the Company's press release dated March 4, 2013 which is filed on SEDAR at www.sedar.com.

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. Dr. Twyerould has reviewed and approved the technical information contained in this document. Further information about the Gunnison Copper Project can be found in the PEA Technical Report filed on SEDAR at www.sedar.com.

OUTLOOK

The immediate technical focus for the Gunnison Copper Project will be the completion of a Pre-Feasibility Study. The results from all the recently completed field activities, as well as the technical data previously acquired, will be used to optimize all aspects of the project including, well field design and leaching solution composition. In addition, these results will provide critical information for groundwater quality control and ultimately, project reclamation. Optimization of the project will enable Excelsior to improve on the positive results already produced from the Gunnison Copper Project's PEA, as well as provide data that will be critical as the project moves into the permitting phase.

REVIEW OF FINANCIAL RESULTS

Results of operations for the year ended December 31, 2012 compared to the year ended December 31, 2011:

For the year ended December 31, 2012, the Company reported a net loss of $5,101,368 or net loss of $0.09 per common share, compared with a net loss of $6,182,631 or net loss of $0.12 per common share, for the year ended December 31, 2011.

The Company's expenses in 2012 decreased when compared to 2011 as a direct result of decreased exploration and evaluation and investor relation activities. All other administrative expenses remained relatively stable during the current reporting period.

Significant changes in the expense accounts are described below:

Exploration and evaluation expenses, which represent about 50% of the net loss for the year, decreased by $952,180 to $2,544,213 (2011-$3,496,393) as a result of a decrease in exploration activities.

The following table summarizes exploration and evaluation expenses:

Exploration and evaluation expenses	**For the year ended December 31,**			
		2012		**2011**
Administration	$	68,983	$	28,218
Drilling		1,172,652		2,593,606
Geology		286,427		360,982
Petrology		7,778		-
Mineralogy		2,466		-
Metallurgy		316,077		44,479
Hydrology		569,888		170,281
Geophysics		97,013		166,972
Resource estimate		22,929		183,412
Government credits		-		(51,557)
	$	**2,544,213**	**$**	**3,496,393**

Wages and salaries increased to $624,090 from $574,373, and consulting fees increased to $202,930 from $91,574 due to increase in personnel and the number of consultants providing services to the Company. Office and administration, rent, and insurance increased to $348,271 from $285,887 to support the overall expansion of the Company. Investor relations decreased to $295,175 from $478,478 due to a decrease in marketing and investor relations activities during the year.

Share-based compensation expense decreased to $800,129 from $898,746 due to a decrease in recognition of share-based compensation expense according to vesting schedules of certain grants issued in 2010, 2011, and 2012. This expense had no effect on the Company's cash flows and represented 16% of the comprehensive loss for the year.

In addition the Company incurred $100,672 of directors fees (2011 - $Nil) due to a new director compensation policy.

Other items impacting the comprehensive loss were unrealized gain on warrants of $446,723 recorded in 2012 compared to an unrealized gain of $424,417 recorded in 2011, interest income on short term investments of $37,034 recorded in 2012, compared to $42,757 recorded in 2011.

Selected Annual Financial Period Information

Selected information for the three years ended December 31 presented below:

	2012	2011	2010
Cash and cash equivalents	$ 1,364,122	$ 5,382,104	$ 3,570,434
Working capital	1,369,058	5,257,483	2,530,402
Total assets	2,196,404	5,973,815	3,924,325
Comprehensive loss for the period	(5,134,011)	(6,184,438)	(2,571,559)
Loss per common share – basic and diluted	(0.09)	(0.12)	(0.17)
Exploration and evaluation	2,544,213	3,496,393	304,323
Cash flow from financing activities	1,118,132	7,581,477	3,075,799

The Company's working capital and expenses in 2011 increased significantly when compared to 2010 as a direct result of increased corporate and exploration and evaluation activities followed by the acquisition of AzTech in the fourth quarter of 2010 and completion of two equity financings in the fourth quarter of 2010 and the first quarter of 2011. The Company's 2011 results reflect a full year of the Gunnison project exploration activities, the developing of the Company's core team, and the active marketing of the Company.

In 2012, due to unfavorable market conditions, the Company' cash and cash equivalent, working capital, and total assets decreased as well as the Company's comprehensive loss. The Company continued to advance the Gunnison project, however had to reduce exploration and evaluation expenditures significantly when compared to 2011. All other administrative expenses remained relatively stable during 2012.

SELECTED QUARTERLY INFORMATION

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

	Dec 2012 Quarter	Sep 2012 Quarter	June 2012 Quarter	Mar 2012 Quarter	**Dec 2011 Quarter**	Sep 2011 Quarter	June 2011 Quarter	Mar 2011 Quarter
Comprehensive Income (Loss) for the period	**(994,372)**	(992,395)	(2,153,491)	(1,089,512)	**(976,046)**	(1,114,821)	(1,657,151)	(2,436,420)
Loss per share (basic and diluted)	**(0.02)**	(0.02)	(0.04)	(0.02)	**(0.02)**	(0.02)	(0.03)	(0.05)
Total assets	**2,196,404**	3,052,677	3,700,397	4,976,794	**5,973,815**	6,454,389	7,586,651	9,943,733

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The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable trends. Fluctuations in comprehensive loss for each quarter is generally based on the amount of exploration activities that the Company undertook on the Gunnison Copper Project during such quarter.

Results of Operations for the three months ended December 31, 2012 compared to the three month ended December 31, 2011:

In the three months ended December 31, 2012, the Company reported a net loss of $996,797 or net loss of $0.02 per common share compared to a loss of $962,148 or net loss of $0.02 per common share in 2011. There was no significant change in overall general and administrative expenses in the fourth quarter of 2012 compared to the fourth quarter of 2011. A small decrease in investor relation expenses, wages and salaries, office and administration, and travel and entertainment was offset by an increase in exploration and evaluation expenses and directors' fees.

Significant changes in the expense accounts are described below:

Exploration and evaluation increased to $475,314 from $280,919 due to an increase in the exploration work carried out on the Gunnison property in the fourth quarter of 2012.

Directors fees increased to $30,000 from $Nil due to a new director compensation policy implemented in 2012.

Investor relations decreased to $31,937 from $92,907 due to decreasing investor and public relations activities during the quarter.

Wages and salaries decreased to $110,860 from $163,632, office and administration decreased to $25,990 from $85,736, and travel and entertainment decreased to $10,638 from $50,018 due to an overall decrease in corporate activities during the last quarter of 2012.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash and cash equivalent on hand of $1,364,122 as of December 31, 2012 (December 31, 2011 - $5,382,104) and working capital of $1,369,058 (December 31, 2011 - $5,257,483).

The Company intends to finance it future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cause significant doubt on the entity's ability to continue as a going concern.

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

Share Capital

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

Security Description	**December 31, 2012**	**Date of report**
Common shares voting	52,874,179	52,874,179
Common shares non-voting	7,007,876	7,007,876
Stock Options	10,995,334	10,878,000
Warrants	9,155,431	1,844,166

Subsequent to December 31, 2012, 7,311,265 warrants and 117,334 stock options expired without exercise.

RELATED PARTY TRANSACTIONS

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

Key management personnel

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

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

	Years Ended December 31,	
	2012	**2011**
	$	$
Share-based compensation	694,058	556,443
Short-term benefits*	409,876	306,673
Incentive compensation other than stock-based compensation	-	80,000
	1,103,934	**943,116**

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

Other related parties

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

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

	Years Ended December 31, 2012	2011
	$	$
King & Bay	**1,032,579**	**1,050,859**

Amounts due to related parties at December 31, 2012 included the following:

- SCT Holding Management LLC, a company controlled by the CEO –$Nil (December 31, 2011 - $13,560)
- King & Bay –$48,992 (December 31, 2011 - $144,217)
- Directors fees - $33,680 (December 31, 2011 - $Nil)
- Taloumba Inc., a company controlled by the VP Exploration –$Nil (December 31, 2011 - $12,712)

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

ACCOUNTING ESTIMATES

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

ACCOUNTING POLICIES

A complete summary of the Company's significant accounting policies is provided in note 2 to the audited consolidated financial statements for the year ended December 31, 2012.

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

New Accounting Pronouncements

The following accounting pronouncements have been made, but are not yet effective for the Company as at December 31, 2012.

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") are effective for annual periods beginning on or after January 1, 2013 and introduce enhanced disclosure around the transfer of financial assets and associated risks. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 201. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

Amendments to IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28) have been made. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13. These amendments are effective for annual periods beginning on or after January 1, 2013. The Company will apply the new standard beginning on January 1, 2013 and does not expect the adoption will cause any significant impact on the Company's consolidated financial statements.

Amendments to IAS 32, Financial Instruments: Presentation, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities. The Company is currently evaluating any impact that this new guidance may have 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 exclusively represents the current potential for the future generation of revenue. The costs, timing and complexities of upgrading the mineralized material at the Gunnison Project to proven and probable reserves may be greater than Excelsior anticipates. 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.

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 of a formal feasibility study; optimizing the mine plan; recruiting and training personnel; have available funds to finance construction and development activities; avoid potential increases in costs; negotiating contracts for the supply of power, shipping 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 successfully complete these activities, since 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 will 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, on time or in accordance with any budgets due to, among other things, 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 the Company will ever be profitable if production is achieved.

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 the Chief Executive Officer and Vice President, Exploration and other highly skilled and experienced executives and personnel focused on managing Excelsior's interests and the advancement of the Gunnison Project and on identifying new opportunities for growth and funding. Due to Excelsior's relatively small size, the loss of these persons or its inability to attract and retain additional highly skilled employees required for the development of Excelsior's activities may have a material adverse effect on its business or future operations.

Excelsior also anticipates that, as it bring the Gunnison Project into production and, where appropriate, acquire additional mineral rights, it will experience significant growth in our 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 our 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.

Titles and other rights to the Gunnison Project cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects.

Excelsior cannot guarantee that title to the Gunnison Project will not be challenged. Excelsior may not have, or may not be able to obtain, all necessary surface rights to develop the Gunnison Project. Title insurance generally is not available for mineral properties, and its ability to ensure that we have obtained secure claim to individual mineral properties or mining concessions comprising the Gunnison Project may be severely constrained. The Gunnison Project may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Excelsior has not conducted surveys of all of the claims in which its holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Excelsior being unable to operate on all or part of the Gunnison Project as permitted or being unable to enforce our rights with respect to all or part of the Gunnison Project.

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 shipping and power access, and these are important determinants that affect capital and operating costs. The inability to conclude any such agreements could have a material adverse effect on the Company's financial position, results of operations 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 our exploration, potential development and production activities in the United States are subject to regulation by governmental agencies under various environmental laws, including with respect to air emissions, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Compliance with environmental laws and regulations may require significant capital outlays on behalf of Excelsior and may cause material changes or delays in our 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 its business, causing it 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.

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 our 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'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

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

Asset or Liability	Category	Measurement
Cash and cash equivalents	Fair value through profit and loss	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and Accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Warrant liability	Fair value through profit and loss	Fair value

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity or ability of prompt liquidation. Cash and cash equivalents, under the fair value hierarchy are recorded at fair value based on level one quoted prices in active markets for identical assets and liabilities. The Company's other financial instrument, warrant liability, under the fair value hierarchy is recorded at fair value based on level two inputs as outlined in Note 5 of the consolidated financial statements.

As at December 31, 2012, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

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

Liquidity Risk

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

The Company manages liquidity risk through its capital management as outlined in Note 10 to the consolidated financial statements. As at December 31, 2012, the Company has cash and cash equivalents balance of $1,364,122 to settle current liabilities of $334,533. Management believes that it has sufficient funds to meet its current liabilities as they become due.

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

Market Risk

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

a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments included in cash and cash equivalents is minimal because these investments roll over daily. As of December 31, 2012, the Company did not have interest bearing debt.

b) Price risk

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

c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the recent Company's financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2012, the Company's net US dollar financial assets were US$14,060. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect other comprehensive income (loss) by $2,566 and net loss by $3,965.

COMMITMENTS AND CONTINGENCIES

The company expects to pay $79,418 in 2013, $82,798 in 2014, and $13,894 in 2015 with regards to the lease of its Phoenix office.

No contingent liabilities have been accrued as of December 31, 2012 and 2011, nor are any known disputes pending against the Company that could significantly impact the Company's consolidated financial statements.

SUBSEQUENT EVENTS

The following are the transactions subsequent to the year ended December 31, 2012:

- On April 18, 2013, 2,009,577 voting and 1,051,181 non-voting shares were released from escrow

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's Consolidated Statement of Operations and Deficit contained in its Audited Consolidated Financial Statements for the Year Ended December 31, 2012, which is available on the SEDAR website, www.sedar.com.

APPROVAL

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