CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of United States Dollars)

Independent auditor's report

To the Shareholders of Excelsior Mining Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators for property, plant and equipment (PP&E) *Refer to note 2d – Basis of presentation – Critical accounting estimates and judgments, note 3g – Significant accounting policies – Impairment of long-lived assets and note 4 – Property, plant and equipment to the consolidated financial statements.* The Company's total PP&E as at December 31, 2020 amounted to $112.5 million. At the end of each reporting period, the Company's PP&E are reviewed to determine whether there are any indications that those assets may be impaired. Management makes significant judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as (i) a significant decline in the market value of the Company's share price; (ii) changes in quantity of the recoverable reserves; (iii) changes in metal prices; (iv) changes in forecasted capital and operating costs; and (v) changes to the timing of achieving commercial production. No impairment indicators were noted. We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant judgment.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of impairment indicators, which included the following: – Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E. – Tested changes in quantity of the recoverable reserves, in metal prices, and in forecasted capital and operating costs by considering (i) the consistency of metal prices with external market data and (ii) the consistency of forecasted capital and operating costs with previously forecasted data, and whether these factors were consistent with evidence obtained in other areas of the audit. – Assessed whether there has been a significant decline in the market capitalization. – Assessed whether timing of achieving commercial production suggests that the carrying amount of PP&E exceeds the recoverable amount, based on evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
Fair value of stream obligation *Refer to note 2d – Basis of presentation – Critical accounting estimates and judgments, note 8 – Derivative liabilities and note 16 – Financial instruments.* The Company has a copper metal stream, which the Company records at fair value at each statement of financial position date because the Company has determined that the stream obligation is a derivative liability carried at fair value through profit or loss. As at December 31, 2020, the stream obligation was valued at $89.7 million. This fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve based on Comex futures, the long-term copper price volatility, a discount rate which factors in the Company's credit spread, the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes. The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons (together, management's experts). We determined that this is a key audit matter due to (i) the significant judgment made by management in determining the fair value of stream obligation; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions which included the copper forward price curve based on Comex futures, the long-term copper price volatility, and the discount rate and the life of mine production schedule and expectations including expansion plans; and (iii) the	Our approach to addressing the matter included the following procedures, among others: • Developed an independent point estimate of the fair value of the stream obligation, which included the following: – Professionals with specialized skill and knowledge in the field of valuation assisted us in performing an independent valuation using a Monte Carlo simulation model, which included independently developing expectations for (i) the copper forward price curve; (ii) long-term copper price volatility; and (iii) the discount rate by considering external market data. – The work of management's experts was used in performing procedures to evaluate the reasonableness of the life of mine production and expectations including expansion plans. As a basis for using this work, the management experts' competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions and methods and findings. The procedures performed also included tests of relevant data used by management's experts. • Compared the independent point estimate to management's estimate to evaluate the reasonableness of management's estimate.

Key audit matter	How our audit addressed the key audit matter
audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 24, 2021

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31
(Expressed in thousands of United States dollars)

	Note	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents		$ 13,606	$ 24,900
Receivables		690	533
Prepaid expenses		861	1,044
Materials and supplies		938	645
		16,095	27,122
Property, plant and equipment	4	112,471	98,393
Restricted cash	5	3,311	3,304
Total Assets		$ 131,877	$ 128,819
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 2,694	$ 4,183
Amounts due to related parties	12	$ 112	821
Lease liabilities		46	102
Insurance liabilities		434	281
Restricted share units		123	73
Note Payable	10,18	804	-
Derivative liabilities	8	4,773	3,791
		8,986	9,251
Lease liabilities		-	47
Note Payable	10,18	402	-
Debt	10	14,972	4,876
Derivative liabilities	8	85,699	75,836
Asset retirement obligation	9	14,955	13,327
Total liabilities		125,014	103,337
Equity			
Capital Stock	11	89,480	89,306
Other equity reserves	11	11,406	9,935
Deficit		(93,194)	(72,930)
Accumulated other comprehensive loss		(829)	(829)
Total Equity		6,863	25,482
Total Liabilities and equity		$ 131,877	$ 128,819

Approved on March 24, 2021 on behalf of the Board of Directors:

/signed/	/signed/
Jim Kolbe	**Fred DuVal**
Chair of the Audit Committee	Director

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in thousands of United States dollars)

	Note	2020	2019
Expenses			
Johnson Camp holding and maintenance cost		**$ 2,270**	$ 444
Evaluation and permitting		**948**	298
Office and administration		**1,328**	1,003
Professional fees		**616**	1,382
Directors and officers fees		**999**	2,374
Investor relations		**249**	512
Share-based compensation	**11**	**1,642**	2,936
Regulatory fees		**97**	78
Depreciation		**588**	576
Other Items			
Loss on derivative at fair value		**10,845**	14,844
Financing expense		**870**	335
Interest income		**(328)**	(602)
Unrealized loss (gain) on foreign exchange		**18**	(7)
Other (income) loss		**122**	(293)
Loss and comprehensive loss for the year		**$ 20,264**	$ 23,880
Loss per common share:			
Basic and diluted		**$ 0.08**	$ 0.10
Weighted average number of common shares outstanding: Basic and diluted		**239,650,395**	238,765,048

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in thousands of United States dollars)

		2020		2019
CASH FLOWS RELATED TO OPERATING ACTIVITIES				
(Loss) income for the year	**$**	**(20,264)**	$	(23,880)
Items not affecting cash:				
Loss on derivative at fair value		**10,845**		14,844
Depreciation		**588**		576
Accretion of asset retirement obligation		**203**		317
Share-based compensation		**1,695**		2,936
Unrealized loss (gain) on foreign exchange		**18**		(7)
Non-cash working capital item changes:				
Receivables		**(157)**		(356)
Prepaid expenses		**183**		(17)
Materials and supplies		**(293)**		(359)
Accounts payable and accrued liabilities		**(3,255)**		(116)
Amounts due to related parties		**(709)**		417
Restricted share units		**-**		(113)
Net cash used in operating activities		**(11,146)**		(5,758)
CASH FLOWS RELATED TO INVESTING ACTIVITIES				
Reclamation Bond Interest		**(7)**		-
Gunnison project construction		**(6,336)**		(72,190)
Mineral Interest		**(4,986)**		(907)
Net cash used in investing activities		**(11,329)**		(73,097)
CASH FLOWS RELATED TO FINANCING ACTIVITIES				
Lease liabilities		**(103)**		-
Proceeds from note		**1,206**		-
Proceeds from stream financing		**-**		55,000
Proceeds from debt financing, net		**10,000**		4,860
Deferred debt finance cost		**96**		(280)
Net cash provided by financing activities		**11,199**		59,580
Net change in cash and cash equivalents		**(11,276)**		(19,275)
Effect of foreign exchange on cash and cash equivalents		**(18)**		7
Cash and cash equivalents, beginning of the year		**24,900**		44,168
Cash and cash equivalents, end of the year	**$**	**13,606**	$	24,900
Cash and cash equivalents consist of:				
Cash				
Supplemental cash flow disclosures:				
Interest paid	**$**	**1,438**	$	17

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, 2020 AND 2019
(Expressed in thousands of United States dollars)

	Capital Stock										
	Number of Common shares		Amount		Other Equity Reserves		Deficit		Accumulated Other Comprehensive Loss		Total
Balance, December 31, 2018	238,381,657	$	88,916	$	6,910	$	(49,050)	$	(829)	$	45,947
Stock option exercises	1,019,591		270		(270)		-		-		-
Restricted share units	187,500		120		-		-		-		120
Share-based compensation	-		-		3,295		-		-		3,295
Loss for the year	-		-		-		(23,880)		-		(23,880)
Balance, December 31, 2019	239,588,748	$	89,306	$	9,935	$	(72,930)	$	(829)	$	25,482
Balance, December 31, 2019	239,588,748	$	89,306	$	9,935	$	(72,930)	$	(829)	$	25,482
Stock option exercises	646,507		174		(174)		-		-	$	-
Share-based compensation	-		-		1,645		-		-	$	1,645
Loss for the year	-		-		-		(20,264)		-	$	(20,264)
Balance, December 31, 2020	240,235,255	$	89,480	$	11,406	$	(93,194)	$	(829)	$	6,863

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

(Expressed in thousands of United States dollars)

1. NATURE OF OPERATIONS

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

The Company is in the production ramp up phase of the Gunnison Project in Southeastern Arizona.

The Company has been successful in obtaining significant equity and other financings over the last few years and intends to continue financing its future requirements through a combination of equity, debt and/or other arrangements. However, there is no assurance that the Company will be able to obtain such financings in the future or obtain them on favorable terms.

2. BASIS OF PRESENTATION

a. Basis of Preparation and Consolidation

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

The consolidated financial statements have been prepared on a historical cost basis, except for any financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

All dollar figures are expressed in United States dollars unless otherwise indicated. Canadian dollars are expressed as "CAD$".

b. Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from the Company's involvement with the entity and has the ability to affect those returns through the Company's power over the entity.

The results of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All intercompany transactions and balances have been eliminated.

Details of the Company's subsidiaries are as follows:

Name	Place of Incorporation	Interest %	Principal activity
Excelsior Mining Arizona, Inc. ("Excelsior Arizona")	Arizona, United States	100%	Exploration, evaluation, development and production of mineral property interests
Excelsior Mining JCM, Inc. ("Excelsior JCM")	Arizona, United States	100%	Exploration, evaluation, development and production of mineral property interests
Excelsior Mining Holdings, Inc. ("EM HOLDINGS")	Arizona, United States	100%	Exploration and evaluation of mineral property interests

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

On March 11, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. There have been widespread impacts on global commerce since that time including wide-spread stock market and interest rate gyrations. Additionally, the movement of people and goods has been restricted, affecting supply, demand and pricing for many products.

Worldwide the mineral extraction sector was impacted significantly as national, state, regional and local governments issued public health orders in response to COVID-19, including restricting the movement of people and goods.

Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the virus known as COVID-19 and which have been reported to be more virulent. Should vaccines prove less effective against the new virus strains, resulting in a resurgence of COVID-19 during the year, it is anticipated that many governments would again issue public health orders which might include restricting the movement of people and goods. This in turn might impact the Company's supply chain. Although copper prices have recovered with some subsidence of the global pandemic and the release of vaccines to counter the virus, copper prices could again be negatively impacted should there be a global resurgence of COVID-19. A continuing period of lower prices could significantly affect the Company's economic potential or intentions with respect to the Gunnison Project.

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

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

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

d. Critical Accounting Estimates and Judgments

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

Critical Judgments

Characterization of the Stream arrangement
As set out in Note 8, the Company applied judgment in determining the characterization of the Stream arrangement for both accounting and tax purposes including the Company's assessment that the partially prepaid sale of copper is currently a derivative liability for accounting purposes. This judgment will be monitored as facts and circumstances change such as the exercise or expiry of the expansion and buyback options and the relationship of the metal deliverable under the arrangement to the Company's actual production.

Evaluation of indicators of impairment
The evaluation of asset carrying values for indicators of impairment includes consideration of both internal and external sources of information, including such factors as a significant decline in the market value of the Company's share price, changes in quantity of the recoverable reserves, changes in metal prices, changes in forecasted capital and operating costs

and changes to the timing of achieving commercial production. In undertaking this evaluation, management of the Company is required to make significant judgments and if impairment indicators are identified, impairment testing is required. The recoverable amount of the cash-generating unit to which the assets belong that is used in the impairment testing is determined as the higher of its fair value less costs of disposal and its value in use. During the year ended December 31, 2020, management of the Company determined that there were no indicators of impairment.

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:

Stream Obligation

The carrying value of the stream obligation represents management's best estimate of the fair value of the arrangement. The fair value incorporates estimates of the Company's construction and expansion plans, production volumes, copper prices, discount rates and applicable tax considerations. As in Note 8.

Asset Retirement Obligation

The Company's provision for reclamation and closure cost obligations represent management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amount of related mining properties. As in Note 9.

Income Taxes

The Company is subject to income taxes in the United States. Significant judgment is required to determine the provision for income taxes. There are assumptions and uncertainties for which the ultimate tax determination is uncertain. The Company recognizes tax-related assets and liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. The final tax outcome could be materially different from tax amounts initially recorded and such differences will impact the current and deferred tax provisions in the period in which the tax outcome is determined. As in Note 13.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Financial Instruments and Measurement

Financial assets – Classification

Financial assets are classified at initial recognition based on the applicable measurement model: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (loss) ("OCI").

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not subsequently measured at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial liabilities

Financial liabilities are designated as either FVTPL or other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the

method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable are classified as other financial liabilities and carried on the balance sheet at amortized cost.

Debt is recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition the debt is measured at amortized cost, calculated using the effective interest rate method.

Derivative instruments, including embedded derivatives in financial liabilities or non-financial contracts are recorded at FVTPL and, accordingly, are recorded on the consolidated statement of financial position at fair value. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative. The Company’s stream obligation and foreign currency warrants to purchase common shares are classified as derivative liabilities.

b. Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term investments held at financial institutions in the United States and Canada. Short-term investments consist of redeemable short-term investment certificates with maturities greater than 90 days and less than one year, and readily convertible into a known amount of cash. Cash and cash equivalents exclude cash subject to restrictions and are measured as a financial asset at amortized cost.

c. Material and supplies

Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value, less any allowances for obsolescence. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

d. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the reclamation of the asset. The purchase price or construction cost is the fair value of consideration given to acquire the asset.

Depreciation of property, plant and equipment commences when the asset has been fully commissioned and is available for its intended use.

Wellfield, site infrastructure and other tangible assets, including the solvent extraction-electrowinning plant, roads, pipelines and transmission lines will be depreciated using a unit-of-production method, which is determined each period based on copper pounds produced over the estimated proven and probable copper reserves of the orebody unless the useful life of the asset is less than the life of the mine.

Depreciation of other site assets, including vehicles, mobile equipment, and buildings are calculated using the straight-line method to allocate the initial cost over their estimated useful lives, as follows:

Asset Class	Estimated useful life
Vehicles	2-5 years
Mobile equipment	2-5 years
Buildings	10-25 years

Depreciation of office equipment and software is based on the declining balance method at various depreciation rates ranging from 20% to 45% over their estimated useful lives.

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. 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.

e. Construction in progress

Construction in progress costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the other appropriate category of mineral properties, plant and equipment. No depreciation is recorded until the assets are fully commissioned and available for their intended use.

f. Exploration and evaluation assets

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

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

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

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

g. Impairment of long-lived assets

At the end of each reporting period, the Company's long-lived assets are reviewed to determine whether there are any indications that those assets may be impaired. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal, and its value in use. Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date.

in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future pretax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

h. Asset retirement obligation ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated net present value of the ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related assets. The capitalized amount is amortized over the estimated life of the assets. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is recognized in profit or loss for the period. The ARO can also increase or decrease due to changes in the original estimated

undiscounted costs, or changes in the timing of these expenditures. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

i. Income taxes

Income tax expense or benefit for the reporting period includes current and deferred income taxes. 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 income tax is recognized using the liability method on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax basis of assets and liabilities. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences 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.

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

j. Share-based compensation transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and consultants. The Company recognizes share-based compensation expense based on the estimated fair value of the options at the grant date. A fair value measurement for each grant is determined using an option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as share-based compensation expense with offset to Other equity reserves. This includes a forfeiture estimate, which is revised as necessary based on actual forfeiture rates. The Other equity reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

Restricted Share Units (each an "RSU") issued to directors, officers and employees require the Company to withhold applicable income tax on exercised and settled amounts with the tax authorities. The fair value of the RSU is recognized over the vesting period of the RSU granted as share-based compensation expenses with offset to RSU liabilities. The Company's RSU policy allows for a net settlement arrangement, and RSU are classified in their entirety as cash-settled share-based payment transactions.

k. Warrants

The Company recognizes the fair value of all warrants issued, recording the amount as an expense, an addition to a related asset, or a cost of issue of shares, as appropriate. Warrants are measured at the time of issue using an option-pricing model to determine their fair value. Warrants that are equity instruments are not remeasured subsequent to the grant date unless the terms and conditions of the warrants are modified. Warrants that are not share-based payments and are denominated in a currency other than the functional currency of the Company are considered to be a derivative and are recorded at fair value through profit and loss.

l. Foreign currency translation

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

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

m. Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the loss attributable to common shareholders, and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, except when the adjustment is anti-dilutive.

n. Leases

Right-of-use assets and lease liabilities are recognized at the commencement date of a lease. Lease liabilities are initially measured at the present value of lease payments to be paid after the lease's commencement date, discounted using the interest rate implicit in the lease, or if not readily determinable, the Company's incremental borrowing rate.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made on or before the lease's commencement date, plus any initial direct costs incurred and an estimate of decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated, on a straight-line basis, from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability. If a purchase option is expected to be exercised, the asset is amortized over its useful life.

Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. It is remeasured if and when there is a change in future lease payments arising from a change in an index or rate, or if and when there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

Lease payments for short-term leases, which have a lease term of 12 months or less, leases of low-value assets, which have an underlying asset value, when new, of $5 or less, as well as leases with variable lease payments are recognized as an expense over the term of such leases.

(Expressed in thousands of United States dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land & Mineral Properties	Plant	Vehicles & Mobile Equipment	Office Equipment & Capitalized Leases	Construction in Progress	Total
Cost						
At January 1, 2019	5,799	12,242	194	496	1,478	20,209
Additions	3,376	-	403	262	74,721	78,762
Change in Asset Retirement Obligation Estimate	681	-	-	-	-	681
Disposals	-	-	(19)	-	-	(19)
Transfers	-	-	6	(6)	-	-
At December 31, 2019	9,856	12,242	584	752	76,199	99,633
Accumulated Depreciation						
At January 1, 2019	(233)	(11)	(135)	(304)	-	(683)
Depreciation	(264)	(23)	(112)	(177)	-	(576)
Disposals	-	-	19	-	-	19
At December 31, 2019	(497)	(34)	(228)	(481)	-	(1,240)
Net carrying amount	**9,359**	**12,208**	**356**	**271**	**76,199**	**98,393**
Cost						
At January 1, 2020	9,856	12,242	584	752	76,199	99,633
Additions	6,905	-	-	-	6,336	13,241
Change in Asset Retirement Obligation Estimate	1,425	-	-	-	-	1,425
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At December 31, 2020	18,186	12,242	584	752	82,535	114,299
Accumulated Depreciation						
At January 1, 2020	(497)	(34)	(228)	(481)	-	(1,240)
Depreciation	(327)	(23)	(89)	(149)	-	(588)
Disposals	-	-	-	-	-	-
At December 31, 2020	(824)	(57)	(317)	(630)	-	(1,828)
Net carrying amount	**17,362**	**12,185**	**267**	**122**	**82,535**	**112,471**

(Expressed in thousands of United States dollars)

5. RESTRICTED CASH

As of December 31, 2020, the Company has restricted cash deposits of $3,311 (2019 - $3,304) as collateral to secure the issuance of bonds. Restricted cash of $3,082 deposited in 2018 included $444 for a reclamation bond as part of the Mined Land Reclamation Plan for the JCM and $2,638 for the Class III Underground Injection Control Area Permit, required by the United States Environmental Protection Agency. In addition, $222 was deposited prior to 2018 as collateral to secure the issuance of surety bonds. Interest earned of $7 was added in 2020.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Trade payables	$ 1,752	$ 2,573
Accrued liabilities	282	918
Employee-related accruals	660	692
	$ 2,694	$ 4,183

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

7. INSURANCE FINANCING

In October and December of 2020, the Company entered into three Commercial Premium Finance Agreements ("Agreements") to finance $251, $190, and CAD$68 to pay for insurance premiums. The Agreements bear interest at a rate of 3.75%, 5.99%, and 11.66%, respectively per annum, payable monthly with a term of six, nine, and eight months, respectively. As of December 31, 2020, the Company had repaid principal of $83 in respect of the Agreements.

8. DERIVATIVE LIABILITIES

Project Financing

On October 30, 2018 the Company entered into an agreement for a $75,000 project financing package (collectively, the "Financing") with Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") for the purposes of developing the Gunnison Project. The Financing consisted of a $65,000 copper metal stream (the "Stream") and a concurrent $10,000 private placement of common shares of Excelsior (the "Equity Placement"). The closing of the Financing occurred on November 30, 2018 (the "Closing Date") and resulted in Excelsior receiving initial gross proceeds of $20,000. This amount consisted of the initial $10,000 of the $65,000 deposit (the "Stage 1 Upfront Deposit") and $10,000 of proceeds from the Equity Placement. In conjunction with the arrangement, Excelsior issued to Triple Flag 3.5 million five-year common share purchase warrants, under a five-year term beginning on the Closing Date, entitling Triple Flag to purchase 3.5 million Excelsior common shares at a strike price of CAD$1.50 per share. During the year ended December 31, 2019, the Company received the remaining $55,000 from the Stage 1 Upfront Deposit.

Under the terms of the metals purchase and sale agreement (the "Stream Agreement") between Triple Flag and Excelsior and its subsidiaries, Excelsior Arizona and Excelsior JCM, Triple Flag has committed to fund a deposit of $65,000 against the future sale and delivery by Excelsior Arizona of a percentage of the refined copper production from the Gunnison Project. Excelsior will sell to Triple Flag a percentage of refined copper at a price equal to 25% of the copper spot price. The exact percentages of copper production to be sold to Triple Flag varies according to the total production capacity, based on a sliding scale.

The percentages applicable at certain production levels are detailed in the table below.

	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit	16.50%	5.75%	3.50%

(Expressed in thousands of United States dollars)

Following a decision by Excelsior to expand the production capacity, Triple Flag will have the option to invest a further $65,000 in exchange for an increase in its entitlement to copper under the Stream ("Expansion Option"). Upon completion of an expansion, Excelsior has the option to reduce the amount of the Stream by 50% by making a buy-down payment to Triple Flag (the "Buy-Down Payment"). The Buy-Down Payment is calculated as an amount that provides Triple Flag with an internal rate of return of 15% on 50% of the Stage 1 Upfront Deposit and, if applicable, 15% on 50% of the Expansion Upfront Deposit (in each case after evaluating the value of Stream deliveries (net of the 25% purchase price payment for such deliveries) made to Triple Flag prior to its payment).

The table below shows the range of percentage of production to be purchased by Triple Flag based on specified production levels based on various scenarios that include Triple Flag's Expansion Option and Excelsior's Buy-Down Right. Actual amounts will be calculated within the range, based on the proven production history.

Scenario Description	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit + Expansion Option	16.50%	11.00%	6.60%
Stage 1 Upfront Deposit + Expansion Option + Buy-Down Payment	16.50%	5.50%	3.30%
Stage 1 Upfront Deposit + Buy-Down Payment	16.50%	2.875%	1.75%

The stream obligation and share purchase warrants are recorded at fair value at each statement of financial position date as the Company has determined that the stream obligation and the share purchase warrants are derivative liabilities carried at FVTPL.

The fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve based on COMEX futures, the long-term copper price volatility of 22.08% (2019 – 21.5%), a discount rate which factors in the Company's credit spread of 9.11% (2019 comparable rate – 8.29%), the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

Share purchase warrants

As of December 31, 2020, the Company recorded the fair value of the share purchase warrants issued based on a Black-Scholes-Merton option-pricing model with the following assumptions:

- Underlying Share Price - CAD$ 1.12 (2019 – CAD$1.00)
- Maturity Date - November 30, 2023
- Strike Price - CAD$ 1.50
- Volatility - 53% (2019 – 50%)
- USD/CAD Exchange Rate - $0.7853 (2019 – $0.7698)

(Expressed in thousands of United States dollars)

The following table summarizes the fair value of the derivative liabilities during the year ended December 31, 2019 and 2020:

	Stream		Warrants		Total	
Fair value at December 31, 2018	**$**	**8,927**	**$**	**855**	**$**	**9,782**
Stream proceeds, net		55,000		-		55,000
Loss (gain) during the year		14,960		(115)		14,845
Fair value at December 31, 2019	**$**	**78,887**	**$**	**740**	**$**	**79,627**
Loss (gain) during the year		10,776		69		10,845
Fair value at December 31, 2020	**$**	**89,663**	**$**	**809**	**$**	**90,472**

At December 31, 2020, the current portion of the derivative liabilities is $4,773.

9. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation ("ARO") represents management's best estimate of the present value of costs that are expected to be incurred for mine closure and reclamation and rehabilitation costs for the JCM and the Gunnison Project. Based on the current projected mine life of the Gunnison Project, these costs and activities are not expected to begin until approximately 30 years after the start of operation on the Gunnison Project. During the fourth quarter of 2020, the Company reviewed the closure requirements under existing permits and the assumptions used in the present value calculation and adjusted the obligation to $14,955 as of December 31, 2020. The update resulted in a net increase of $1,628 from the ARO at December 31, 2019 of $13,327.

As of December 31, 2020, the estimated undiscounted JCM reclamation obligation is $12,119 (2019 - $12,119) and the estimated undiscounted Gunnison Project reclamation obligation is $2,903 (2019 - $2,903). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as of December 31, 2020, the Company used an inflation rate of 1.64% (2019 – 2.00%) and a discount rate of 1.65% (2019 – 2.39%) in calculating the present value of the obligation. The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30-year treasury bond index.

Changes in the ARO for the years ended December 31, 2020 and 2019 are summarized below.

Asset Retirement Obligation	December 31, 2020		December 31, 2019	
Balance, beginning of period	**$**	**13,327**	**$**	**9,456**
Addition		-		2,367
Change in estimate		1,425		1,187
Accretion expense		203		317
Balance, end of period	**$**	**14,955**	**$**	**13,327**

10. DEBT

On October 31, 2019, the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP ("Nebari") for a $15,000 credit facility (the "Credit Facility"). The Credit Facility provides funding in three tranches of $5,000 each. The original maturity date of all tranches is 15 months from the draw date of the first $5,000 tranche of December 23, 2019, with an option to extend for up to two additional 6 month periods (21 months and 27 months from the first draw date). The Company received the second tranche of $5,000 in April 2020 and the third tranche of $5,000 in May 2020. Because the Company has the option to extend the maturity date of the debt, the debt is shown as non-current. The Company capitalized interest expense of $1,145 during 2020 and during the 2020 Care and Maintenance period which resulted from the Covid 19 pandemic interest in the amount of $506 was expensed.

(Expressed in thousands of United States dollars)

An arrangement fee of 2.0% ($300) of the total available funds under the Credit Facility was paid on closing and recognized as a prepaid asset in the statement of financial position. The arrangement fee is creditable against interest payable on the draws under the Credit Facility, to a maximum of $100 of interest per each draw. Transaction costs associated with the credit facility were $120. The arrangement fee and transactions costs have been allocated to each draw as a loan discount and amortized over the term of the loan using the effective interest rate method. The effective interest rate at December 31, 2020 was 15.11%.

Credit Facility	December 31, 2020		December 31, 2019	
Proceeds	$	15,000	$	5,000
Less: unamortized transaction costs		(28)		(124)
Balance, end of period	**$**	**14,972**	**$**	**4,876**

On May 21, 2020 the Company signed a Promissory Note with the Bank of America under the Paycheck Protection Program (PPP) and was subsequently advanced a loan in the amount of $1,206. The loan may be partially forgivable under the terms of the CARES Act if the company is able to satisfy certain conditions as prescribed by the CARES Act. The Company had 24 weeks from the date funds were advanced to assess whether it qualifies for partial or full loan forgiveness. This time elapsed on November 4, 2020 and the Company has submitted the required paperwork to its lender. The amount of loan forgiveness applied for of $1,090 is subject to the approval of the Company's lender applying the Small Business Administration rules and subsequent approval by the Small Business Administration. Due to the uncertainty that existed at December 31, 2020 with respect to the loan forgiveness, we continued to treat the PPP loan as debt.

On January 5, 2021 the Company was notified that the SBA had approved the forgiveness application related to $162 of the loan and on March 1, 2021 the Company was notified that the SBA had approved the forgiveness application related to $928 of the loan.

The loan bears a fixed annual interest rate of 1% with a monthly payment schedule to be provided by the lender after any loan forgiveness has been determined. The term of the loan is two years from the funding date of the loan. Any repayment is deferred for 6 months from the funding date.

Paycheck Protection Program Loan	December 31, 2020		December 31, 2019	
Balance, beginning of period	**$**	-	**$**	-
Proceeds		1,206		-
Repayments		-		-
Balance, end of period	**$**	**1,206**	**$**	**-**

11. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

The authorized share capital of the Company is comprised of an unlimited number of common shares with no par value. As of December 31, 2020, there were 240,235,255 common shares outstanding. During the year ended December 31, 2020, a total of 1,481,086 common shares were issued, in which all shares came from stock option exercises. Of the 1,481,086 common shares issued, 646,507 were settled in 2020, with the remaining 834,579 shares settled in January 2021.

Stock Options

The Company's stock option plan (the "Plan") provides for the grant of incentive stock options to directors, officers, employees and consultants of the Company. The Plan reserves for issuance, along with the Company's other Share-Based Compensation Plans a maximum of 10% of the issued and outstanding Common Shares at the time of a grant of options.

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

(Expressed in thousands of United States dollars)

The Plan is an evergreen plan which provides that if any option has been exercised, then the number of common shares into which such option was exercised shall become available to be issued upon the exercise of options subsequently granted under the Plan. The Plan will operate in conjunction with the Restricted Share Unit Plan (the "RSU Plan") and the

Performance Share Unit Plan (the "PSU Plan"). The Stock Option Plan, RSU Plan and PSU Plan are collectively referred to as the "Security-Based Compensation Plans".

The following is a summary of stock option activity for the years ended December 31, 2020 and 2019:

	Number of Options	Weighted Average Exercise Price (CAD$)
Outstanding, December 31, 2018	**12,330,000**	$ 0.69
Granted	6,995,000	$ 1.00
Exercised	(1,500,000)	$ 0.31
Forfeited	(1,350,000)	$ 0.98
Outstanding, December 31, 2019	**16,475,000**	$ 0.82
Granted	7,790,000	$ 0.64
Exercised	(2,075,000)	$ 0.33
Expired	(2,300,000)	$ 0.23
Forfeited	(3,050,000)	$ 1.00
Outstanding, December 31, 2020	**16,840,000**	$ 0.85
Exercisable, December 31, 2020	**9,578,750**	$ 0.98

During the year ended December 31, 2020, a total of 2,075,000 stock options were exercised, of which 1,975,000 stock options were exercised in exchange for a substituted right, resulting in the net issuance of 1,481,086 common shares. Of the 1,481,086 common shares issued, 646,507 were settled in 2020, with the remaining 834,579 shares settled in January 2021.

As at December 31, 2020, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price		Remaining life (years)	Expiry Date
200,000	200,000	CAD$	1.00	0.34	May 5, 2021
150,000	37,500	CAD$	0.92	0.34	May 5, 2021
100,000	100,000	CAD$	0.77	1.08	January 31, 2022
200,000	200,000	CAD$	1.18	1.61	August 10, 2022
200,000	200,000	CAD$	1.20	1.72	September 21, 2022
300,000	300,000	CAD$	1.15	1.97	December 19, 2022
100,000	100,000	CAD$	1.25	2.15	February 22, 2023
150,000	150,000	CAD$	1.29	2.27	April 9, 2023
100,000	100,000	CAD$	1.00	2.37	May 15, 2023
4,330,000	4,330,000	CAD$	1.00	2.84	November 2, 2023
3,345,000	2,508,750	CAD$	1.02	3.24	March 26, 2024
200,000	100,000	CAD$	0.96	3.95	December 10, 2024
360,000	90,000	CAD$	1.12	4.08	January 28, 2025
275,000	50,000	CAD$	0.92	4.14	February 19, 2025
1,480,000	-	CAD$	0.48	4.23	March 24, 2025
4,450,000	1,112,500	CAD$	0.60	4.29	April 15, 2025
800,000	-	CAD$	0.73	4.62	August 12, 2025
100,000	-	CAD$	0.80	4.64	August 19, 2025
16,840,000	9,578,750				

(Expressed in thousands of United States dollars)

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for the risk-free interest rate, dividend yield, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. The Company recognized share-based compensation costs of $1,642 in the loss for the year ended December 31, 2020 (2019 - $2,936) and capitalized $194 (2019 – $416) in mineral properties in relation to stock options granted and vested during the year ended December 31, 2020.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Risk-free interest rate	0.61%	1.47%
Dividend yield	0.00%	0.00%
Volatility	56.20%	59.87%
Expected life of options	5.0 years	5.0 years
Forfeiture rate	8.38%	4.53%

Restricted Share Units

The Company's RSU Plan, adopted on June 28, 2018, provides for the grant of restricted shares to employees, consultants, officers, and directors of the Company. An individual restricted share unit will have the same value as one common share. The number of RSUs awarded, and its associated vesting terms, are determined at the discretion of the Board of Directors.

The maximum aggregate number of common shares issuable to participants at any time pursuant to the RSU Plan, together with all other Security-Based Compensation Plans of the Company, may not exceed 10% of the currently issued and outstanding common shares of the Company at the time of a grant of the RSU.

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

A summary of the activity related to the Company's RSUs for the year ended December 31, 2020 and 2019 is provided below.

Restricted Share Units	
Balance, December 31, 2018	**475,000**
Vested	(375,000)
Balance, December 31, 2019	**100,000**
Cancelled	(100,000)
Granted	2,016,092
Balance, December 31, 2020	**2,016,092**

During the year ended December 31, 2020, the Company recorded compensation costs related to RSUs in the amount of $50 (2019 - $57), which were classified as share-based compensation costs.

(Expressed in thousands of United States dollars)

12. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below.

Key Management Personnel

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

Remuneration attributed to key management personnel is summarized as follows:

	Year Ended December 31, 2020		2019	
Salaries, fees and benefits	$	1,617	$	2,473
Share-based compensation		1,676		2,695
Total	$	3,293	$	5,168

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

Other Related Parties

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

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

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

	Year Ended December 31, 2020		2019	
King & Bay	$	218	$	123
Kinley		50		752
Total	$	268	$	875

As of December 31, 2020, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - $91 (December 31, 2019 - $810)
- King & Bay - $21 (December 31, 2019 - $11)

(Expressed in thousands of United States dollars)

13. INCOME TAXES

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

	December 31, 2020		December 31, 2019	
(Loss) for the year	$	(20,262)	$	(23,880)
Combined federal and state income tax rates		24.87%		24.87%
Income tax recovery based on the above rate	$	(5,039)	$	(5,939)
Increase due to:				
Non-deductible costs		19		(22)
Income tax benefits not recognized		14,648		5,961
Income tax benefits recognized		(9,628)		-
Income tax expense (recovery)	$	-	$	-

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

	December 31, 2020		December 31, 2019	
Non-capital losses	$	5,648	$	2,011
Property, plant and equipment		(5,641)		(1,912)
Other		(7)		(99)
Net deferred tax assets	$	-	$	-

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

	December 31, 2020		December 31, 2019	
Non-capital losses - US	$	9,870	$	1,614
Non-capital losses - Canada		4,522		4,153
Exploration and evaluation assets		1,184		1,735
Asset retirement obligation		3,025		2,692
Stream obligation		6,249		6,249
Other		1,439		1,349
Net deferred tax assets	$	26,289	$	17,792

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

	December 31, 2020		December 31, 2019		Expiry Date
Non-capital losses - US	$	95,683	$	6,490	2031 to 2037 for pre-2018 losses. Unlimited thereafter.
Non-capital losses - Canada		16,747		15,972	2025 to 2040
Exploration and evaluatin assets		4,757		6,976	2039 to Unlimited
Asset retirement obligation		12,163		10,826	Unlimited
Stream obligation		25,126		25,126	Unlimited
Other		5,788		5,424	Unlimited
Net deferred tax assets	$	160,264	$	70,814	

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

Deferred tax assets are recognized for tax loss carryforwards and other temporary differences to the extent that it is more-likely-than-not that the Company would realize the related tax benefit through future taxable profits. The Company has determined that it is not more-likely-than-not that the Company would have sufficient future taxable profits to realize the benefit of net deferred tax assets.

14. SEGMENTED INFORMATION

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

15. CAPITAL MANAGEMENT

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

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

The properties in which the Company currently has an interest are in the development and production ramp up stage. The Company has previously obtained financing for the development and construction and ramp up activities of the Gunnison Project in the form of the Stream and Equity Placement discussed in note 8 and debt discussed in note 10. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

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

16. FINANCIAL INSTRUMENTS

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

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

<u>Market risk</u>

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

Currency risk

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

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

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents and the stream obligation. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its Canadian banking institution. The Company periodically monitors the investment it makes and is satisfied with the credit ratings of its banks. These investments generally have a fixed interest rate and therefore the risk is minimal. The Company's outstanding debt obligations are at fixed interest rates and accounted for on the basis of amortized cost. Therefore, the carrying value of the Company's debt is not exposed to changes in market interest rates.

A 1% increase in the interest rate would decrease the value of the stream obligation by $6,444, whereas a 1% decrease in the interest rate would increase the value of the stream liability by $7,226.

Commodity price risk

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

10% increase in the market price of copper would increase derivative liabilities by $7,558, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by $7,964.

Credit risk

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of its financial assets and liabilities. Cash flow forecasting is performed regularly. The Company also holds surety bonds to support future environmental obligations.

As of December 31, 2020, the Company has cash and cash equivalents of $13,606 to settle current liabilities of $8,986.

Fair value estimation

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

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

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

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

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

(Expressed in thousands of United States dollars)

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

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

As of December 31, 2020	Carrying Value	Fair Value		
	FVTPL	Level 1	Level 2	Level 3
Financial Liabilities				
Restricted share units	$ 123	$ -	$ 123	$ -
Derivative liabilities	90,472	-	-	90,472
	$ 90,595	$ -	$ 123	$ 90,472

17. COMMITMENTS

The Company has the following commitments and contractual obligations as of December 31, 2020:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts Payable and accrued liabilities	$ 2,694	$ 2,694	$ -	$ -	$ -
Asset Retirement Obligation[1]	15,022	-	-	-	15,022
Lease Liabilities	46	46	-	-	-
Note Payable	1,206	804	402	-	-
Debt	14,972	-	14,972	-	-
Total Contractual Obligations	$ 33,940	$ 3,544	$ 15,374	$ -	$ 15,022

[1] Classification of such amounts is based on estimates of when reclamation work will be performed. Amounts represent undiscounted estimates and are not reflective of inflation.

18. LEGAL

On June 24, 2020 a contractor filed suit in Texas to recover unpaid amounts related to drilling services that were provided to the Company. The Company disputed the action and all claims and causes of action were dismissed on December 7, 2020. Subsequent to year end, the contractor refiled suit in Arizona against the Company seeking to recover unpaid amounts related to drilling services that were provided to the Company. The Company is disputing this action and the amounts payable to the contractor and believes that the Company will ultimately prevail. The Company filed a Motion to Dismiss the Arizona matter on March 4, 2021.

19. SUBSEQUENT EVENTS

The Small Business Administration has approved both loan forgiveness applications. The first amount of $162 was approved on January 5, 2021. The Company was notified of forgiveness of the second amount of $928 on March 8, 2021.

On January 26, 2021 the term of the Credit Facility with Nebari Natural Resources Credit Fund LLP was extended to March 23, 2022.

On February 22, 2021, the Company announced that it had closed a "bought deal" public offering of units of the Company (the Units) with Scotiabank and PI Financial Corp. as joint bookrunners and underwriters. The Company issued a total of 33,350,000 Units. Each Unit consisted of one common share and one common share purchase warrant. The Company received $23,383 as net proceeds from the transaction.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

Management's Discussion and Analysis ("MD&A") is as of March 24, 2021 and relates to the financial condition of Excelsior Mining Corp. and its subsidiaries ("Excelsior" or the "Company") as of December 31, 2020. The MD&A supplements and complements Excelsior's audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 (the "Consolidated Financial Statements") and related notes. Comparison of the 2020 financial results in this MD&A is provided to the financial results for the three months and year ended December 31, 2019. Other relevant documents to be read with this MD&A include the Annual Information Form ("AIF") for the year ended December 31, 2020. These documents are available on the Company's website at *www.excelsiormining.com*, and on the SEDAR website at *www.sedar.com*.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts in this MD&A are expressed and presented in thousands of United States dollars (unless otherwise noted). Canadian dollars are expressed as "CAD $".

Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from Management's expectations. Readers are encouraged to read the "Cautionary Statements" section presented later in this MD&A including the factors described in "Risk Factors" and "Forward-Looking Information".

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A as of March 24, 2021.

DESCRIPTION OF BUSINESS

Excelsior is a mineral exploration, development and mining company that is advancing the Gunnison Copper Project ("Gunnison Project") located in Cochise County, Arizona. Excelsior was incorporated under the *Business Corporations Act* of British Columbia on June 9, 2005. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "MIN", the top-tier over-the-counter market ("OTCQX") under the symbol "EXMGF", and the Frankfurt Stock Exchange under the symbol "3XS".

The Gunnison Project is a low-cost, environmentally friendly in-situ recovery copper extraction project that is permitted to 125 million pounds per year of copper cathode production. Excelsior announced the start of construction in December 2018, and the completion of the construction phase in December 2019, including the wellfield drilling and the supporting infrastructure consisting of the electrical power system upgrades, all holding ponds, the pipeline corridor and acid storage tanks. Upgrades to the adjacent Johnson Camp mine ("JCM") Solvent Extraction and Electrowinning ("SX-EW") plant were also completed in December 2019. The injection of mining fluids to the wellfield for copper production started on December 31, 2019 and the Company began the start-up and commissioning phase of the project in January 2020. On April 9, 2020 a decision was made to place the project on Care and Maintenance in response to the COVID-19 global pandemic. On August 12, 2020 the Company announced that a small-scale restart had commenced. As the Company continues to ramp up towards full production, it remains cognizant of the continued health risks to the Company's workforce related to COVID-19. Any significant interruption in the workforce or supply chain could negatively impact the timing of the company's ramp up process. The Company has put in place various procedures to mitigate the risk of transmission of COVID-19 on site as the Health and Safety of our employees is our primary concern. The Company continues to maintain the wellfield in accordance with all state and federal permit requirements.

COPPER STREAM

On November 30, 2018 the Company finalized an agreement for a $75,000 project financing package ("Project Financing", or "copper stream" or "copper stream derivative liability") with Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") for the purpose of developing the Gunnison Project. In connection with the Project Financing, the Company issued Triple Flag 3.5 million five-year common share purchase warrants (the "warrants"), under a five-year term beginning on November 30, 2018, entitling Triple Flag to purchase 3.5 million Excelsior common shares at a strike price of CAD$1.50 per share issued.

As of December 31, 2019, the Company has received all funding from the $75,000 project financing, consisting of a $65,000 copper stream (the "Stage 1 Upfront Deposit"), and $10,000 in equity financing.

Under the terms of the Project Financing, Triple Flag committed to fund the Stage 1 Upfront Deposit in return for Excelsior selling to Triple Flag a percentage of the refined copper production from the Gunnison Project at a reduced price equal to 25%

of the copper spot price. The exact percentages of copper production to be sold to Triple Flag varies according to the total production capacity, based on a sliding scale.

The percentages applicable at certain projection levels are detailed in the table below.

	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit	16.50%	5.75%	3.50%

Following a decision by Excelsior to expand the production capacity, Triple Flag will have the option to invest a further $65,000 in exchange for an increase in its entitlement to copper under the Stream ("Expansion Option"). Upon completion of an expansion, Excelsior has the option to reduce the amount of the Stream by 50% by making a buy-down payment to Triple Flag (the "Buy-Down Payment"). The Buy-Down Payment is calculated as an amount that provides Triple Flag with an internal rate of return of 15% on 50% of the Stage 1 Upfront Deposit and, if applicable, 15% on 50% of the Expansion Upfront Deposit (in each case after evaluating the value of Stream deliveries (net of the 25% purchase price payment for such deliveries) made to Triple Flag prior to its payment).

The table below shows the range of percentage of production to be purchased by Triple Flag based on specified production levels based on various scenarios that include Triple Flag's Expansion Option and Excelsior's Buy-Down Right. Actual amounts will be calculated within the range, based on the proven production history.

Scenario Description	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit + Expansion Option	16.50%	11.00%	6.60%
Stage 1 Upfront Deposit + Expansion Option + Buy-Down Payment	16.50%	5.50%	3.30%
Stage 1 Upfront Deposit + Buy-Down Payment	16.50%	2.875%	1.75%

The stream obligation and share purchase warrants are recorded at fair value at each statement of financial position date as the Company has determined that the stream obligation and the share purchase warrants are derivative liabilities carried at FVTPL.

The fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve based on COMEX futures, the long-term copper price volatility of 22.08% (2019 – 21.5%), a discount rate which factors in the Company's credit spread of 9.11% (2019 comparable rate – 8.29%), the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

NEBARI FINANCING

On October 31, 2019 the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP ("Nebari") for a $15,000 credit facility (the "Credit Facility"). As of December 31, 2020, the $15,000 credit facility was fully drawn. The Credit Facility is secured against the assets of Excelsior and certain of its subsidiaries. The Credit Facility bears interest at 14.2% per annum, payable monthly. An arrangement fee of 2.0% ($300) of the total available funds under the Credit Facility was paid on closing. The arrangement fee is creditable against interest payable on the draws under the Credit Facility, to a maximum of $100 of interest per each draw. The Credit Facility had an initial term of 15 months from the date of the Initial Draw which occurred on December 23, 2019. The Credit Facility may be extended for up to two additional six-month periods (21 months and 27 months from the date of the Initial Draw).

Subsequent to December 31, 2020 the Company requested and Nebari provided an extension of the term of the Credit Facility to March 23, 2022.

PAYCHECK PROTECTION PROGRAM LOAN

On May 21, 2020 the Company signed a Promissory Note with the Bank of America under the Paycheck Protection Program (PPP) and was subsequently advanced a loan in the amount of $1,206. The loan may be partially forgivable under the terms of the CARES Act if the Company is able to satisfy certain conditions as prescribed by the CARES Act. The Company had 24 weeks from the date funds were advanced to assess whether it qualifies for partial or full loan forgiveness. This time elapsed on November 4, 2020 and the Company has submitted the required paperwork to its lender. The amount of loan forgiveness applied for is $1,090 which is subject to the approval of the Company's lender applying the Small Business Administration rules and subsequent approval by the Small Business Administration.

On January 5, 2021 the Company was notified that the Small Business Administration had approved forgiveness of $162 of the loan and on March 1, 2021 the Company was notified that the second application for loan forgiveness of $928 had also been approved by the Small Business Administration.

The loan bears a fixed annual interest rate of 1% with a monthly payment of $7 starting March 20, 2021. The term of the loan is two years from the funding date of the loan, May 21, 2020.

GUNNISON PROJECT

Wellfield Start-up and Commissioning Status

The Company received approval in December 2019 from the Environmental Protection Agency to commence mining operations and began injecting mining fluids to the copper ore body on December 31, 2019. The mining fluids will circulate through a volume of rock of approximately 400ft x 400ft x 700ft, in a closed-loop system until the concentration of copper held in solution meets a sufficient grade to be treated through the SX-EW facilities to extract the copper and produce LME grade copper cathode sheets.

During the start-up process in January 2020, initial copper recovery grades exceeded feasibility study expectations. Pregnant leach solution grade measured 0.15 grams per liter of copper in the primary recovery pond, which also exceeded start-up expectations. Acid injection was steadily increased during the start-up process, up to approximately 50% of the full production rate.

In February 2020, in order to improve efficiency for long-term production performance the Company initiated several optimization changes to the production wellfield. The goal of the wellfield optimization is to assist in acid breakthrough and continued copper mobilization. Breakthrough will be achieved when free acid is detected at designated recovery wells; thereby maintaining the desired pH level (acidity level) where copper will remain in solution.

Specific optimizations that were completed in February and March 2020 include making the wellfield reversible in terms of fluid flow. Injection wells were retrofitted with pumps, allowing them to be used as recovery wells when needed. In addition, recovery wells were reconfigured to allow for injection. By making the wellfield reversible, Excelsior will have the option of moving mobilized copper only a portion of the full distance between the wells before reversing the fluid flow, and thus reducing the effective distance that the copper must travel before it is recovered. This new capacity to move fluids back and forth (or, "push and pull") is expected to help achieve breakthrough, at which point copper would remain in solution throughout the production process.

In parallel during February and March 2020, infrastructure was installed that will allow for concentrated acid to be injected into each well, which will dissolve any reprecipitated copper (copper sulphate) in the area of the pumps, thereby ensuring effective fluid flow. Preventative maintenance programs to limit pump and wellfield down-time are also in place.

On April 9, 2020 a decision was made to place the project on Care and Maintenance in response to the COVID-19 global pandemic. The Company has put in place various procedures to mitigate the risk of transmission of COVID-19 on site as the Health and Safety of our employees is our primary concern. On August 12, 2020 the Company announced that a small-scale restart had commenced, , thus exiting the care and maintenance mode.

On November 10, 2020 the Company announced that following the small-scale restart copper recovery has achieved concentrations that now allow for initial production to commence at the Gunnison Project. The Company also confirmed its wellfield optimization program has been successful. Highlights from the wellfield optimization program include:

- The issue of copper precipitates and other precipitates blocking wells has been solved; the upgrades to the wellfield implemented earlier in the year have proven effective;
- Copper grades in the wells that have been consistently operated are in-line with expectations;
- These activities have generated sufficient copper in solution to commence operation of the Solvent Extraction-Electrowinning (SX-EW) production facility, which has been turned on;
- Ramp up phase copper cathode production commenced in December 2020;
- Staffing levels remain reduced and restricted due to the COVID-19 Pandemic. Operations have been conducted in a safe manner with a low number of COVID-19 cases at Gunnison reported. In response, successful contact tracing and isolation measures were implemented without any requirement to shut-down operations;
- Expansion of activities to surrounding wells is occurring, with a view to ramping-up to full, nameplate, capacity through 2021; and
- It is expected that additional time will be required during this ramp-up to optimize the wells and resolve any challenges as they occur.

On December 21, 2020, Excelsior announced that first copper cathode production has been achieved at the Gunnison Project. On January 28, 2021 Excelsior announced that it had sold its first copper cathode from the Gunnison Project. Assays confirm that the copper content achieved 99.998%. Copper purity is projected to achieve 99.999% as per the feasibility design for all future copper harvests.

See additional discussion below in "Outlook".

The Company had 58 employees as of December 31, 2020.

Subsequent to year end, on March 1, 2021, the Company completed a merger of its wholly-owned subsidiaries Excelsior Mining Arizona, Inc. and Excelsior Mining JCM, Inc., with Excelsior Mining Arizona, Inc. as the surviving entity. This merger will not have a material impact on operations and was completed for administrative purposes.

Copper Offtake Agreement

On March 5, 2020 the Company entered into a purchase and sale agreement with Trafigura Trading LLC for 100% of copper cathode production from the Gunnison Project in 2020 on commercially competitive terms. The agreement has been extended through to the end of 2021.

COVID-19

The current outbreak of the novel coronavirus (COVID-19) that was first reported from Wuhan, China, in December 2019, and any future emergence and spread of similar pathogens could have a material adverse effect on global economic conditions which may adversely impact our business and results of operations and the operations of our suppliers, contractors, service providers and the demand for our production. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to many other countries and infections have been reported globally.

Worldwide the mineral extraction sector was impacted significantly as national, state, regional and local governments issued public health orders in response to COVID-19, including restricting the movement of people and goods.

Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the virus known as COVID-19 and which have been reported to be more virulent. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19 during the year, it is anticipated that many governments would again issue public health orders which might include restricting the movement of people and goods. This in turn might impact the Company's supply chain. Although copper prices have recovered with some subsidence of the global pandemic and the release of vaccines to counter the virus, copper prices could again be negatively impacted should there be a global resurgence of COVID-19. A continuing period of lower prices could significantly affect the Company's economic potential or intentions with respect to the Gunnison Project.

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

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

See "Outlook" for additional information on the Company's response to COVID-19.

OUTLOOK

Construction of the Gunnison Project was completed as of the end of the year 2019, copper production in solution from the wellfield started, and the Company advanced to the start-up and commissioning phase. Total project-related capital expenditures for the Gunnison Project were previously forecast at approximately $88,000. Total capitalized expenditures including accruals on the Gunnison Project as of December 31, 2020 were $89,973. The forecast exceedance is the result of capitalizing operating costs to the project during the longer than expected production ramp up phase.

Excelsior is maintaining a cautious approach and gradually expanding wellfield operations to allow for an operation that minimizes the risks of COVID-19 transmission and is in response to frequent supply chain disruptions. Excelsior's focus continues to be on attaining a sustained production rate of 25 million pounds of copper per year, after which Excelsior will focus on expanding that production rate. The Company anticipates achieving the nameplate production rate of 25 million pounds per annum later in 2021. Achieving this outcome is contingent on managing COVID-19 conditions and successfully implementing many of our wellfield continuous improvement programs.

SELECTED ANNUAL INFORMATION

A summary of the Company's consolidated financial results for the years ended 2020, 2019, and 2018 are presented below:

	2020	2019	2018
Revenue	$ nil	$ nil	$ nil
Total assets	131,877	128,819	68,364
Working Capital	7,109	17,871	42,355
Total non-current liabilities	116,028	94,086	19,238
Shareholders' equity	6,863	25,482	45,946
Net loss for the year	20,264	23,880	12,135
Basic and diluted loss per share	0.08	0.10	0.06

REVIEW OF FINANCIAL RESULTS

The net loss for the years ended 2018, 2019 and 2020 is the result of the Company advancing the Gunnison Project from exploration and evaluation, through feasibility and sustainability, and project advancement activities. In addition, the net losses for the three years includes the non-cash losses arising on the valuation of the copper stream derivative liability. There were no distributions or cash dividends declared in the years ended 2018, 2019 and 2020.

A comparison of the financial results for the year and the three-month period ended December 31, 2020 and December 31, 2019 is provided below.

	Three months Ended December 31,		For the year Ended December 31,	
	2020	2019	**2020**	2019
Expenses				
Johnson Camp holding and maintenance cost	**$ -**	$ 78	**$ 2,270**	$ 444
Evaluation and permitting	**365**	50	**948**	298
Office and administration	**83**	217	**1,328**	1,003
Professional fees	**182**	317	**616**	1,382
Directors and officers fees	**493**	98	**999**	2,374
Investor relations	**54**	129	**249**	512
Share-based compensation	**471**	552	**1,642**	2,936
Regulatory fees	**38**	21	**97**	78
Depreciation	**154**	168	**588**	576
Other Items				
Loss on derivative at fair value	**15,720**	8,816	**10,845**	14,844
Financing expense	**59**	92	**870**	335
Interest income	**(23)**	(135)	**(328)**	(602)
Unrealized loss (gain) on foreign exchange	**(2)**	(4)	**18**	(7)
Other (income) loss	**(105)**	(84)	**122**	(293)
Loss and comprehensive loss for the period	**$ 17,489**	$ 10,315	**$ 20,264**	$ 23,880
Loss per common share:				
Basic and diluted	**$ 0.07**	$ 0.04	**$ 0.08**	$ 0.10
Weighted average number of common shares outstanding: Basic and diluted	**239,723,036**	239,111,495	**239,650,395**	238,765,048

For the year ended December 31, 2020 compared to the year ended December 31, 2019:

For the year ended December 31, 2020 the Company's net loss was $20,264 ($0.08 per share) compared to a net loss of $23,880 ($0.10 per share) for the year ended December 31, 2019. The lower net loss for the year ended December 31, 2020 as compared to the same period of 2019 resulted primarily from a non-cash loss of $10,845 in 2020, compared to $14,844 in 2019 arising from the change in fair value of the copper stream derivative liability. Partly offsetting the decreased loss, is the expensing of Gunnison Project costs during the COVID-19 related care and maintenance that took place from April through July 2020.

Significant changes in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020 and 2019 are described below:

For the year ended December 31, 2020 the Company incurred JCM holding and maintenance costs of $2,270 (2019 - $444). For the 2019 period, these costs were capitalized as Gunnison Project construction costs, except for property taxes and costs which are related to the care and maintenance of the heap leach pad. During 2020, project commissioning and construction costs were capitalized from January through March as Gunnison Project construction costs, and from August through December as Mineral Properties. During the COVID-19 related care and maintenance period which took place from April through July, all costs related to the Gunnison Project were expensed.

For the year ended December 31, 2020 evaluation and permitting expenses amounted to $948 (2019 - $298). The costs for the year ended December 31, 2020 were higher than the comparable period of 2019 due to the exploration program that has taken place in 2020. The costs in 2019 primarily represent ongoing compliance costs at JCM.

For the year ended December 31, 2020, office and administration costs were $1,328 which were $325 above the comparable 2019 period of $1,003 mainly due to increased legal fees.

Professional fees for the year ended December 31, 2020 were $616 which were $766 lower than the comparable 2019 period of $1,382. Advisory fees incurred in 2019 associated with the Triple Flag financing were the main reason for the decrease.

Directors' and officers' fees incurred during the year ended December 31, 2020, were $999 compared to $2,374 during the same period of the prior year, a decrease of $1,375. Lower directors' and officers' fees resulted from the non-payment of all bonuses that were accrued in 2019 for 2020, additionally no bonuses were accrued or paid for the 2020 fiscal year.

Investor relations costs incurred in 2020 of $249 were lower than the comparable 2019 period of $512 as many activities were halted due to the COVID-19 pandemic.

During the year ended December 31, 2020, the Company incurred share-based compensation expense of $1,642 (2019 – $2,936). The decrease in non-cash share-based compensation expense of $1,294 is primarily due to a decrease in stock options granted to directors, officers, employees and consultants, and the lower fair value per stock option of options granted.

Depreciation expense for the year ended December 31, 2020 was $588 compared to $576 for the year ended December 31, 2019. The Depreciation expense remained approximately constant.

Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020 and 2019 are described below:

The stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve based on Comex futures, the long-term copper price volatility, a discount rate which factors in the Company's credit spread, the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

Financing expense for the year ended December 31, 2020 was $870 compared to $335 for the year ended December 31, 2019. The increase in financing expense is due to the interest on the Nebari loan not being capitalized while the Gunnison Project was on care and maintenance.

During the year ended December 31, 2020, the Company realized interest income of $328 versus interest income of $602 for the comparable period of 2019. Interest income was lower in 2020 compared to the same period of 2019 mainly due to a decrease in interest income on cash investments from the Company's lower cash balance in 2020, and a lower interest rate.

Other loss of $122 for the year ended December 31, 2020 compared to Other income of $293 for 2019 resulted in a $415 change year over year. This resulted from an acid prepayment of $554 foregone due to the Covid 19 Care and Maintenance period requiring no acid, offset by revenue of $432 from the sale of JCM waste rock and limestone material.

SELECTED QUARTERLY INFORMATION

The following table summarizes selected financial information for the Company for each of the past eight quarters ending December 31, 2020:

	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Net (income)/loss for the period	$ 17,489	$ 10,904	$ 23,189	$ (31,318)
Loss (gain) on derivative at fair value	15,720	8,923	18,860	(32,659)
(Income)/loss per share (basic and diluted)	0.07	0.05	0.10	(0.13)
Total assets	131,877	132,971	134,850	127,707

	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Net (income)/loss for the period	$ 10,315	$ 4,617	$ 2,315	$ 6,633
Loss (gain) on derivative at fair value	8,817	2,009	(380)	4,399
(Income)/loss per share (basic and diluted)	0.04	0.02	0.01	0.03
Total assets	128,819	125,590	115,325	76,097

The net (income)/loss for the last eight quarters reflects the advancement of the Gunnison Project from exploration and evaluation, through feasibility and sustainability, through the construction phase, into the start-up and commissioning phase, care and maintenance phase, and current ramp-up phase. The volatility in market factors due to the COVID-19 pandemic caused significant fluctuations in the valuation of the copper stream derivative and consequently net (income)/loss. The net loss for the quarter-ended December 31, 2020 of $17,489 included a loss of $15,720 on revaluation of the copper stream derivative liability.

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable future trends. The Company was in the construction phase, the start-up and commissioning phase, then into care and maintenance due to Covid-19, and once again into ramp-up, resulting in no revenues in each of the last eight quarters.

Three months ended December 31, 2020 compared to the three months ended December 31, 2019:

For the three-months ended December 31, 2020 the Company's net loss was $17,489 ($0.07 per share) compared to a net loss of $10,315 ($0.04 per share) for the three-months ended December 31, 2019. The higher net loss for the three-month period ended December 31, 2020 as compared to the same period of 2019 derived primarily from the non-cash loss of $15,720 on the revaluation of the copper stream derivative liability, $6,904 higher than the 2019 period.

Significant changes in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the three-months ended December 31, 2020 and 2019 are described below:

For the three-months ended December 31, 2020 the Company incurred JCM holding and maintenance costs of $0 (2019 - $78). For the 2020 period, all costs were capitalized to Mineral Properties, these costs are primarily employee salaries, wages and benefits, utilities, insurance, plant and equipment maintenance, and environmental compliance costs. For the 2019 period, these same costs are being capitalized as Gunnison Project construction costs. When the Gunnison Project is in production, all the above cost types will be included in operating costs.

For the three months ended December 31, 2020 evaluation and permitting expenses incurred were $365 (2019 - $50). Costs for the three-months ended December 31, 2020 were higher than the comparable period of 2019 due to the exploration for minerals in 2020.

Office and administration expenses for the three-months ended December 31, 2020 were $83 compared to $217 during the same period of the prior year. The decrease of $134 was primarily due to insurance costs capitalized in October 2020 that were expensed in previous months.

Professional fees incurred during the three months ended December 31, 2020 were $182 compared to $317 during the same period of the prior year, representing a decrease of $135. Lower professional fees resulted from a decrease in tax and audit related costs.

Directors' and officers' fees incurred during the three months ended December 31, 2020, were $493 compared to $98 during the same period of the prior year, representing an increase of $395. Higher directors' and officers' fees in 2020 resulted from bonus incentive adjustments made in December 2019.

Investor relations costs for the three months ended December 31, 2020 were $54 which were lower than the comparable 2019 period of $129 as activities remain minimized due to the COVID-19 pandemic.

During the three months ended December 31, 2020, the Company incurred share-based compensation expense of $471 (2019 – $552). The decrease in non-cash share-based compensation expense of $81 is due to higher stock options granted to directors and officers, consultants, and management personnel in 2019.

Depreciation expense for the three months ended December 31, 2020 was $154 compared to $168 for the three months ended December 31, 2019. The depreciation expense remained constant.

Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the three-months ended December 31, 2020 and 2019 are described below:

The copper stream derivative liability is recorded at fair value at each period end using a Monte Carlo simulation valuation model. See the full-year discussion above for the variables that are used in the period-end valuation. During the three months ended December 31, 2020, the non-cash loss of $15,720 for revaluation of the derivative liability was primarily driven by an increase in the copper price and the impact of a higher credit spread in the valuation model assumptions.

During the three-months ended December 31, 2020, the Company realized interest income of $23 versus interest income of $135 for the comparable period of 2019. Interest income was lower in 2020 compared to the same period of 2019 mainly due to a decrease in interest income on cash investments from the Company's overall lower cash balance and a lower interest rate in 2020.

Other income of $105 for the three-month period of 2020 and $84 for the three-month period of 2019 mainly represents sales of waste rock material from JCM.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $13,606 as of December 31, 2020 (December 31, 2019 - $24,900). Cash and cash equivalents decreased $11,294 during the year ended December 31, 2020 compared to a decrease of $19,268 during 2019. The decrease in usage is primarily due to financing received in 2020 from Nebari ($10,000) and the Paycheck Protection Program Loan ($1,206). In 2019, cash expenditures for Gunnison Project construction costs were offset by $59,580 in financing received.

Net cash used in operating activities for the year ended December 31, 2020 was $11,146 compared to net cash used of $5,758 in 2019. The increase in operating cash outflows for 2020 compared to 2019 was mainly due to the Gunnison Project being placed on care and maintenance for four months in 2020.

Net cash used in operating activities for the three months ended December 31, 2020 was $2,377 compared to $1,356 for the same period of 2019. The change in operating cash flow for the three-month period of 2020 compared to the same period of 2019 resulted mainly from the consumption of reagents inventory during the ramp-up phase of production in the last quarter of 2020.

Net cash used in investing activities for the year ended December 31, 2020 of $11,329 was lower than the net cash used of $73,097 for the same period of 2019 primarily due to the cash expenditures for the Gunnison Project construction costs in 2019. Similarly, net cash used in investing activities for the three months ended December 31, 2019 was $2,252 compared to net cash used of $8,646 for the same period of 2019. The net cash used in 2019 was mainly the result of cash expenditures for the Gunnison Project construction costs.

Net cash provided by financing activities for the year ended December 31, 2019 was $11,199 compared to $59,580 for the year of 2019. During 2020, the Company received $10,000 from Nebari financing and $1,206 from the Paycheck Protection Program Loan. During 2019, the Company received $55,000 from Triple Flag under the copper stream and $5,000 (less fees of $420) from the Nebari financing.

The Company had working capital of $7,109 at December 31, 2020 (December 31, 2019 – $17,871). The decrease in working capital primarily resulted from the decrease in cash discussed above, along with an increase in the current portions of note payable and the copper stream derivative liability offset by a decrease in accounts payable and accrued liabilities and amounts due to related parties.

The Company continues to ramp up the Gunnison Project towards full nameplate production of 25 million lbs per annum.

As of December 31, 2020 the Company does not have any pre-arranged sources of financing.

Subsequent to year end, on February 22, 2021, the Company announced that it had closed a "bought deal" public offering (the "Offering") of units of the Company (the "Units") with Scotiabank and PI Financial Corp. as joint bookrunners and underwriters. The Company issued a total of 33,350,000 Units. Each Unit consisted of one common share and one common share purchase warrant. The Company received $23,383 as net proceeds from the Offering. With the completion of the Offering, and expected cash flow from future copper production and sales, the Company expects to have enough funds to cover corporate costs and operating costs for the first phase of the Gunnison Project for at least the next year.

STATEMENT OF FINANCIAL POSITION INFORMATION

The following is a summary of the Company's financial position at December 31, 2020 compared to the annual statement of financial position at December 31, 2019.

	As at December 31, 2020	As at December 31, 2019
Cash and cash equivalents	$ 13,606	$ 24,900
Receivables	690	533
Prepaid expenses	861	1,044
Materials and supplies	938	645
Property, plant and equipment, net	112,471	98,393
Restricted cash	3,311	3,304
Total Assets	$ 131,877	$ 128,819

	As at December 31, 2020	As at December 31, 2019
Accounts payable and accrued liabilities	$ 2,694	$ 4,183
Amounts due to related parties	112	821
Restricted share units	123	73
Insurance premium financing	434	281
Lease liabilities (current and long-term)	46	149
Derivative liability (current and long-term)	90,472	79,627
Debt (current and long-term)	16,178	4,876
Asset retirement obligation	14,955	13,327
Capital stock	89,480	89,306
Other equity reserves	11,406	9,935
Deficit	(93,194)	(72,930)
Accumulated other comprehensive loss	(829)	(829)
Total Liabilities and Equity	$ 131,877	$ 128,819

Assets

Cash and cash equivalents decreased by $11,294 during the year ended December 31, 2020 as previously discussed in "Liquidity and Capital Resources" above.

The increase of $14,078 in net Property, plant and equipment at December 31, 2020 primarily reflects capitalized expenditures and accruals for Gunnison Project construction and Mineral Properties.

Liabilities

Accounts payable and accrued liabilities decreased by $1,489 for the year ended December 31, 2020, mainly resulting from the decrease in expenditures related to the construction activities on the Gunnison Project.

Derivative liability of $90,472 at December 31, 2020 consists of the fair value of the copper stream ($89,663) and the fair value of the common share purchase warrants ($809). The $10,845 increase in 2020 is principally related to changes in the valuation model assumptions related to the USD swap rates commensurate with the expected term of the Stream, the credit spread and copper price volatility and the copper forward price curve.

The increase in the asset retirement obligation ("ARO") of $1,628 for the year ended December 31, 2020 consists of $1,425 for a change in estimated costs from updating the inflation and discount rate assumptions, and $203 for the accretion of the ARO estimate at December 31, 2020.

Equity

During the year ended December 31, 2020, the other equity reserves account increased by $1,471 primarily as a result of share-based compensation costs of $1,645, including expensed and capitalized costs.

During the year ended December 31, 2020, capital stock increased by $174 due to stock option exercises.

Outstanding Share Capital

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

Security Description	December 31, 2020	Date of report
Common Shares	240,235,255	240,235,255
Stock options	16,840,000	16,840,000
Restricted share units	2,016,092	2,016,092
Warrants	3,500,000	3,500,000

During the year ended December 31, 2020, a total of 2,075,000 stock options were exercised, of which 1,975,000 stock options were exercised in exchange for a substituted right, resulting in the net issuance of 1,481,086 common shares. Of the 1,481,086 common shares issued, 646,507 were settled in 2020, with the remaining 834,579 shares settled in January 2021.

Contractual Obligations

The Company has the following contractual obligations as of December 31, 2020:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts Payable and accrued liabilities	$ 2,694	$ 2,694	$ -	$ -	$ -
Asset Retirement Obligation[1]	15,022	-	-	-	15,022
Lease Liabilities	46	46	-	-	-
Note Payable	1,206	804	402	-	-
Debt	14,972	-	14,972	-	-
Total Contractual Obligations	$ 33,940	$ 3,544	$ 15,374	$ -	$ 15,022

[1] Classification of such amounts is based on estimates of when reclamation work will be performed. Amounts represent undiscounted estimates and are not reflective of inflation.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

RELATED PARTIES

Related parties and related party transactions are summarized below:

Key Management Personnel

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

Remuneration attributed to key management personnel is summarized as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Salaries, fees and benefits	$ 1,617	$ 2,473
Share-based compensation	1,676	2,695
Total	$ 3,293	$ 5,168

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

Other Related Parties

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

Kinley Exploration LLC ("Kinley") is an entity owned by Colin Kinley, a Director of the Company. Kinley provides certain technical services regarding project preparation and development to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount shown in the table below represents amounts paid to Kinley for the services of Kinley personnel and for out-of-pocket reimbursable expenses incurred by Kinley on behalf of the Company. The fees for such services were made on terms equivalent to those that Kinley charges to arm's length parties.

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

	Year Ended December 31, 2020	2019
King & Bay	$ 218	$ 123
Kinley	50	752
Total	$ 268	$ 875

As of December 31, 2020, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - $91 (December 31, 2019 - $810)
- King & Bay - $21 (December 31, 2019 - $11)

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies applied in the preparation of the audited consolidated financial statements for the year ended December 31, 2020 are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019. A 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, 2020 and 2019.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgments. These estimates, judgments and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported. A summary of the Company's critical estimates and judgments is provided in Note 2, Basis of Presentation, of the audited consolidated financial statements for the year ended December 31, 2020 and 2019.

The Company applied judgment in determining that the copper stream arrangement, in its current form, is a derivative liability for accounting purposes. This judgment will be monitored as facts and circumstances change such as the exercise or expiry of the expansion and buyback options and the relationship of the metal deliverable under the arrangement to the Company's actual production.

The Company is subject to income taxes in the United States. Significant judgment is required to determine the provision for income taxes. There are assumptions and uncertainties for which the ultimate tax determination is uncertain. The Company recognizes tax-related assets and liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. The final tax outcome could be materially different from tax amounts initially recorded and such differences will impact the current and deferred tax provisions in the period in which the tax outcome is determined. In addition, the tax treatment of the initial proceeds received from Triple Flag as well as the tax withholding impact of copper sales under the agreement involves significant judgment.

FINANCIAL INSTRUMENTS

A summary of the Company's financial instruments is provided in Note 16 in the audited consolidated financial statements for the year ended December 31, 2020 and 2019. As of December 31, 2020, the Company's risk exposures and the impact on the Company's financial instruments are summarized below.

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

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

<u>Market risk</u>

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

Currency risk

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

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

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents and the stream obligation. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its Canadian banking institution. The Company periodically monitors the investment it makes and is satisfied with the credit ratings of its banks. These investments generally have a fixed interest rate and therefore the risk is minimal. The Company's outstanding debt obligations are at fixed interest rates and accounted for on the basis of amortized cost. Therefore, the carrying value of the Company's debt is not exposed to changes in market interest rates.

A 1% increase in the interest rate would decrease the value of the stream obligation by $6,444, whereas a 1% decrease in the interest rate would increase the value of the stream liability by $7,226.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for copper. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation, and political and economic conditions. The financial instrument impacted by commodity prices is the Stream obligation. A 10% increase in the market price of copper would increase derivative liabilities by $7,558, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by $7,964.

<u>Credit risk</u>

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

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

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of its financial assets and liabilities. Cash flow forecasting is performed regularly. The Company also holds surety bonds to support future environmental obligations.

As of December 31, 2020, the Company has cash and cash equivalents of $13,606 to settle current liabilities of $8,986.

Fair value estimation

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

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

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

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

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

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

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

As of December 31, 2020	Carrying Value	Fair Value		
	FVTPL	Level 1	Level 2	Level 3
Financial Liabilities				
Restricted share units	$ 123	$ -	$ 123	$ -
Derivative liabilities	90,472	-	-	90,472
	$ 90,595	$ -	$ 123	$ 90,472

LEGAL

On June 24, 2020 a contractor filed suit in Texas to recover unpaid amounts related to drilling services that were provided to the Company. The Company disputed the action and all claims and causes of action were dismissed on December 7, 2020. Subsequent to year end, the contractor refiled suit in Arizona against the Company seeking to recover unpaid amounts related to drilling services that were provided to the Company. The Company is disputing this action and the amounts payable to the contractor and believes that the Company will ultimately prevail. The Company filed a Motion to Dismiss the Arizona matter on March 4, 2021.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities.

The CEO and CFO have certified that they have designed disclosure controls and procedures (or caused them to be designed under their supervision) and they are operating effectively to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them by others within those entities as of December 31, 2020.

Internal Control Over Financial Reporting

The Company maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings in order to provide reasonable assurance that assets are safe-guarded and financial information is accurate and reliable and in accordance with IFRS.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2020, the Company's internal control over financial reporting is effective.

During the year ended December 31, 2020, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation of Controls and Procedures

Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ADDITIONAL INFORMATION

Additional disclosure concerning the Company, including the AIF for the year ended December 31, 2019, is available on the SEDAR website, *www.sedar.com*.

TECHNICAL INFORMATION

Excelsior's technical work on the Gunnison Project is supervised by Stephen Twyerould, Fellow of AUSIMM, President & CEO of Excelsior and a Qualified Person as defined by National Instrument 43-101 ("NI 43-101"). Mr. Twyerould has reviewed and approved the technical information contained in this MD&A.

Additional information about the Gunnison Project can be found in the technical report filed on SEDAR at *www.sedar.com* entitled: "Gunnison Copper Project, NI 43-101 Technical Report, Feasibility Study" dated effective December 17, 2016.

CAUTIONARY STATEMENTS

Risk Factors

The exploration for and development of mineral deposits involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. The more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to herein, are discussed in the AIF for the year ended December 31, 2020.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws concerning anticipated developments and events that may occur in the future. Forward-looking information contained in this MD&A includes, but is not limited to, statements with respect to: (i) the market and future price of copper and related products; (ii) requirements for additional capital; (iii) development, construction and production timelines and estimates; (iv) statements relating to the economic viability of the Gunnison Project, including mine life, total tonnes mined and processed and mining operations; (v) the future effects of environmental compliance requirements on the business of the Company; and (vi) the statements under the heading "Outlook" in this MD&A, including statements about the production of copper.

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, expectations and anticipated impact of the COVID-19 outbreak, the realization of mineral resource and reserve estimates, copper and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of expansion and sustaining capital requirements, the estimation of labor and operating costs, the availability of necessary financing and materials to continue to develop, operate and expand the Gunnison Project in the short and long-term, the progress of development activities, the receipt of and compliance with necessary regulatory approvals and permits, the estimation of insurance coverage, and assumptions with respect to currency fluctuations, environmental risks, title or surface rights disputes or claims, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information including, without limitation, the following risks and uncertainties referred to under the heading "Risk Factors" in the Company's AIF for the year ended December 31, 2020:

- risks relating to the fact that the Company depends on a single mineral project;
- operational risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, availability of reagents and power, increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the development process;
- 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;
- assumptions regarding expected capital and operating costs and expenditures, production schedules, economic returns and other projections;
- our production estimates, including accuracy thereof;
- risks related to general economic conditions and in particular the potential impact of the COVID-19 pandemic on the Company or its operations and the mining industry;
- the fact that we have no mineral properties in commercial production and no history of production or revenue;
- risks relating to variations in mineral resources and reserves, grade or recovery rates resulting from current exploration and development activities;
- risks related to fluctuations in the price of copper as the Company's future revenues, if any, are expected to be derived from the sale of copper;
- risks related to a reduction in the demand for copper in the Chinese market which could result in an extended period of lower prices and demand for copper;
- financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the development and construction activities at the Gunnison Project may not be available on satisfactory terms, or at all;
- the Company has no history of mining operations and no revenues from operations and expects to incur losses for the foreseeable future;
- risks associated with secured debt and the copper stream agreement;
- risks related to the Company obtaining and maintaining various permits required to conduct its current and anticipated future operations;
- risks related to disputes concerning property titles and interest;
- risks relating to the ability to access infrastructure;
- risks related to the significant governmental regulation to which the Company is subject;
- environmental risks;
- climate change risks;
- risks related to the adequacy of financial assurance arrangements with State and Federal Governments;
- reliance on key personnel;

- risks related to increased competition in the market for copper and related products and in the mining industry generally;
- cybersecurity risks;
- risks related to potential conflicts of interests among the Company's directors and officers;
- exchange rate fluctuations between the Canadian and United States dollar;
- uncertainties inherent in the estimation of inferred mineral resources;
- land reclamation requirements may be burdensome;
- risks associated with the acquisition of any new properties;
- risks related to legal proceedings to which the Company may become subject;
- potential liabilities associated with the acquisition of Johnson Camp;
- our ability to comply with foreign corrupt practices regulations and anti-bribery laws;
- changes to relevant legislation, accounting practices or increasing insurance costs;
- significant growth could place a strain on our management systems;
- share ownership by our significant shareholders and their ability to influence our governance; and
- risks relating to the Company's Common Shares, including that future sales or issuances of our debt or equity securities may decrease the price of our securities.

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.

RISK FACTORS

Readers are cautioned that the risk factors discussed above are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information and readers should also carefully consider the matters discussed under the heading, "Forward Looking Information", in this MD&A and under the heading, "Risk Factors", in the AIF.

CAUTIONARY NOTE TO U.S. INVESTORS – INFORMATION CONCERNING PREPARATION OF RESOURCE AND RESERVE ESTIMATES

Technical disclosure regarding the Company's properties included in this MD&A and in the documents incorporated herein by reference has been prepared in accordance with the requirements of Canadian securities laws. Without limiting the foregoing, such technical disclosure uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in the technical disclosure have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards on Mineral Resources and Reserves ("CIM Definition Standards").

Canadian standards, including NI 43-101, differ significantly from the historical requirements of the Securities and Exchange Commission (the "SEC"), and mineral reserve and resource information contained or incorporated by reference in this Prospectus Supplement may not be comparable to similar information disclosed by U.S. companies.

The SEC has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC. These amendments became effective February 25, 2019 (the "SEC Modernization Rules") and, following a two-year transition period, the SEC Modernization Rules will replace the historical property disclosure requirements for mining registrants that are included in SEC Industry Guide 7. U.S. companies are required to provide disclosure on mineral properties under the SEC Modernization Rules for fiscal years beginning January 1, 2021 or later.

Under the SEC Modernization Rules, the definitions of "proven mineral reserves" and "probable mineral reserves" have been amended to be substantially similar to the corresponding CIM Definition Standards and the SEC has added definitions to recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" which are also substantially similar to the corresponding CIM Definition Standards; however, there are still differences in the definitions and standards under the SEC Modernization Rules and the CIM Definition Standards. Therefore, the Company's mineral resources and reserves as determined in accordance with NI 43-101 may be significantly different than if they had been determined in accordance with the SEC Modernization Rules.