CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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, 2021 and 2020, 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, 2021 and 2020;
- 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.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2021. 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
Impairment assessment of property, plant and equipment (PP&E) for the Gunnison Project cash generating unit (CGU) *Refer to note 2(d) – Basis of presentation – Critical accounting estimates and judgments, note 3(g) – Significant accounting policies – Impairment of long-lived assets and note 4 – Property, plant and equipment to the consolidated financial statements.* As at December 31, 2021, the total net book value of PP&E amounted to $133.1 million. When impairment indicators of PP&E exist, an impairment assessment is conducted at the level of the CGU (a group of assets that generate independent cash inflows). If the recoverable amount of a CGU is estimated to be less than the carrying amount, the carrying amount of the CGU is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. During the year, management assessed impairment indicators for the Company's PP&E and concluded that due to the delayed ramp up to commercial production and expected increase in operating costs of the Gunnison Project an indicator of impairment existed as of September 30, 2021. As a result, management performed an impairment assessment of the Gunnison Project CGU. The recoverable amount of the Gunnison Project CGU was	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Gunnison Project CGU. Our procedures included the following: – Tested the appropriateness of the FVLCD approach used by management. – Tested the underlying data used in the discounted cash flows. – Evaluated the reasonableness of significant assumptions by (i) comparing the copper price assumption with external market and industry data; (ii) comparing operating and capital costs assumptions to recent actual operating and capital expenditures incurred; and (iii) assessing whether these assumptions and the life of mine production schedule were consistent with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the estimates of mineral reserves and life of mine production schedule. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the

Key audit matter	How our audit addressed the key audit matter
based on the fair value less costs of disposal (FVLCD) approach. In arriving at FVLCD, discounted cash flows were obtained using the following significant assumptions: the latest estimates of mineral reserves; the life of mine production schedule; operating costs and capital costs from the latest planning; a copper price of $3.50 per pound; and a discount rate of 7.5%. Management's assumptions of mineral reserves and life of mine production schedule were based on information compiled by qualified persons (management's experts). As of September 30, 2021, the Company's FVLCD exceeded the carrying amount of the Gunnison Project CGU and, as a result, no impairment loss was recognized in the consolidated statement of loss and comprehensive loss. We considered this a key audit matter due to the high degree of audit effort and subjectivity in performing procedures to test significant assumptions used by management in determining the recoverable amount, which involved significant judgment by management. We were also assisted by professionals with specialized skill and knowledge in the field of valuation.	data used by management's experts and an evaluation of their findings. – Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the reasonableness of the discount rate used within the model. • Tested the disclosures made in the consolidated financial statements with regard to the impairment assessment of the Gunnison Project.
Fair value of stream obligation *Refer to note 2(d) – 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 consolidated statement of financial position date	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 based on data and assumptions applied by management, which included the following:

Key audit matter	How our audit addressed the key audit matter
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, 2021, the stream obligation was valued at $150.9 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; the long-term copper price volatility; the 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 (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 the 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, the long-term copper price volatility, the discount rate, which factors in the Company's credit spread, the life of mine production schedule and expectations including expansion plans; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	– Professionals with specialized skill and knowledge in the field of valuation assisted us in performing an independent valuation using a Monte Carlo simulation model and evaluating the reasonableness of the significant assumptions used by management, which included (i) the copper forward price curve; (ii) long-term copper price volatility; and (iii) the discount rate, which factors in the Company's credit spread 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 schedule and expectations including expansion plans. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. • Compared the independent point estimate to management's estimate to evaluate the reasonableness of management's estimate.

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 Dean Larocque.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2022

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

	Note	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents		$ 20,854	$ 13,606
Receivables		341	690
Prepaid expenses		1,020	861
Materials and supplies		1,250	938
		23,465	16,095
Property, plant and equipment	4	133,132	112,471
Restricted cash	5	3,311	3,311
Total Assets		$ 159,908	$ 131,877
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 1,587	$ 2,694
Amounts due to related parties		109	112
Lease liabilities		91	46
Insurance liabilities	7	582	434
Restricted share units		258	123
Note Payable	10	-	804
Derivative liabilities	8	2,803	4,773
		5,430	8,986
Lease liabilities		400	-
Note Payable	10	-	402
Debt	10	15,351	14,972
Derivative liabilities	8	148,555	85,699
Asset retirement obligation	9	24,960	14,955
Total liabilities		194,696	125,014
Equity			
Capital Stock	11	108,045	89,480
Other equity reserves	11	12,195	11,406
Deficit		(154,199)	(93,194)
Accumulated other comprehensive loss		(829)	(829)
Total Equity		(34,788)	6,863
Total Liabilities and equity		$ 159,908	$ 131,877

Approved on March 22, 2022 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	2021	2020
Operating Expenses			
Johnson Camp holding and maintenance cost		**$ 102**	$ 2,270
Evaluation and permitting		**987**	948
Office and administration		**720**	1,328
Professional fees		**666**	616
Directors and officers fees		**2,153**	999
Investor relations		**407**	249
Share-based compensation	**11**	**855**	1,642
Regulatory fees		**116**	97
Depreciation		**241**	588
Total Operating Expenses		**$ 6,247**	$ 8,737
Other Items			
Loss on derivative at fair value	**8**	**56,209**	10,845
Financing expense		**343**	870
Interest income		**(18)**	(328)
Unrealized loss (gain) on foreign exchange		**(29)**	18
Paycheck Protection Program loan forgiveness	**10**	**(1,090)**	-
Other (income) loss		**(657)**	122
Total Other Items		**$ 54,758**	$ 11,527
Loss and comprehensive loss for the year		**$ 61,005**	$ 20,264
Loss per common share:			
Basic and diluted		**$ 0.23**	$ 0.08
Weighted average number of common shares outstanding: Basic and diluted		**269,627,462**	239,650,395

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)

	Note	2021	2020
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
(Loss) income for the year		$ (61,005)	$ (20,264)
Items not affecting cash:			
Loss on derivative at fair value		56,209	10,845
Depreciation		241	588
Accretion of asset retirement obligation		291	203
Share-based compensation		924	1,695
Paycheck Protection loan forgiveness	10	(1,090)	-
Unrealized loss (gain) on foreign exchange		(29)	18
Non-cash working capital item changes:			
Receivables		349	(157)
Prepaid expenses		(159)	183
Materials and supplies		(312)	(293)
Accounts payable and accrued liabilities		(83)	(3,255)
Amounts due to related parties		(3)	(709)
Net cash used in operating activities		(4,667)	(11,146)
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Reclamation Bond Interest		-	(7)
Gunnison project construction		(268)	(6,336)
Pre-production sales		5,033	-
Mineral Properties		(16,131)	(4,986)
Net cash used in investing activities		(11,366)	(11,329)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Lease liabilities		(49)	(103)
Insurance liabilities		148	-
Paycheck Protection loan payments	10	(116)	-
Proceeds from Paycheck Protection Loan		-	1,206
Net proceeds from stock issuance		23,241	-
Debt financing		-	10,000
Deferred debt finance cost		28	96
Net cash provided by financing activities		23,252	11,199
Net change in cash and cash equivalents		7,219	(11,276)
Effect of foreign exchange on cash and cash equivalents		29	(18)
Cash and cash equivalents, beginning of year		13,606	24,900
Cash and cash equivalents, end of year		$ 20,854	$ 13,606
Cash and cash equivalents consist of:			
Cash			
Supplemental cash flow disclosures:			
Interest paid		$ 2,230	$ 1,438

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, 2021 AND 2020
(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, 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
Balance, December 31, 2020	240,235,255	$ 89,480	$ 11,406	$ (93,194)	$ (829)	$ 6,863
Stock option exercises	1,047,345	78	(78)	-	-	-
Stock issuance (see note 11)	33,350,000	19,935	-	-	-	19,935
Restricted share unit exercises	203,344	-	30	-	-	30
Share issuance costs	-	(1,448)	-	-	-	(1,448)
Share-based compensation	-	-	837	-	-	837
Loss for the year	-	-	-	(61,005)	-	(61,005)
Balance, December 31, 2021	274,835,944	$ 108,045	$ 12,195	$ (154,199)	$ (829)	$ (34,788)

Of the 1,047,345 shares issued in 2021, 834,579 relate to the remaining shares issued for the stock option exercise undertaken during December 2020. A total of 1,725,000 stock options were exercised in December 2020, of which 1,339,752 stock options were exercised in exchange for a substituted right. Of the 1,339,752 common shares issued, 505,173 were settled in December 2020, with the remaining 834,579 shares settled in January 2021.

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

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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

The Company is developing the Gunnison Project in Southeastern Arizona and is currently continuing to fund the holding and maintenance costs of the Johnson Camp Mine ("JCM"). The Company has recently announced that it is planning to restart mining from the existing Johnson Camp Mine (JCM) pits including construction of a new heap leach pad to generate cash flow to continue to support the ramping up to production of the Gunnison project. The Company is moving ahead with the work to advance this strategy.

During the year ended December 31, 2021, the Company incurred a net loss of $61.0 million, used cash flow from operations of $4.6 million, and used cash for the Gunnison Project ramp up recorded in investing activities of $11.3 million. As at December 31, 2021, the Company had working capital of $18.0 million, including a cash balance of $20.8 million.

In support of the Company's plan to restart JCM, on December 22, 2021 the Company and its lender, Nebari Natural Resources Credit Fund I LLP ("Nebari"), executed an amendment to the loan agreement which extends the due date of the $15 million loan advanced by Nebari to September 29, 2023. See further discussion in Note 10 Debt.

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the "Stream Agreement"), the Company is required to maintain a leverage ratio of 3.5:1. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). On December 22, 2021 the Company and Triple Flag executed an amendment to the Stream Agreement which suspends the applicability of the leverage ratio until September 29, 2023 (the "Leverage Ratio Grace Period") to accommodate the extension of the Nebari loan due date. See further discussion in Note 8 Derivative Liabilities.

The Company has been successful in obtaining significant equity and other financings since inception and intends to continue financing its future requirements through mining of the existing JCM pits and through a combination of equity, debt and/or other arrangements. These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from December 31, 2021. However, there can be no assurance that the Company will be able to obtain the necessary financing in 2023 and beyond to enable it to continue in operation and to advance its projects to production.

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 Holdings, Inc. ("EM HOLDINGS")	Arizona, United States	100%	Exploration and evaluation of mineral property interests

During 2021 the Company merged its subsidiary Excelsior Mining JCM, Inc. into its subsidiary Excelsior Mining Arizona, Inc. for administrative efficiency.

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

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

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

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.

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. For the year ended December 31, 2021 management of the Company determined that due to the delayed ramp up to commercial production and expected increase in operating costs of the Gunnison Project an indicator of impairment exists. Refer to Note 4a for further details related to the impairment assessment.

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. (See 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. (See 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. (See 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.

o. Recent accounting pronouncements

In May 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 16 – Property, Plant and Equipment ("IAS 16"). The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. We are in the process of evaluating the accounting impact and the quantitative impact of adopting the amendments to IAS 16 will be reported in the first quarter of 2022.

In August 2020, the IASB published an amendment for Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16) ("Phase 2 amendments") to address the financial reporting impacts of replacing one benchmark interest rate with an alternative rate. The Phase 2 amendments provide a practical expedient to ease the potential burden of accounting for changes in contractual cash flows and include disclosure requirements at the time of benchmark interest rate replacement. The Company adopted this amendment and determined that it does not have a material impact on the Company's consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Land & Mineral Properties	Plant	Vehicles & Mobile Equipment	Office Equipment & Capitalized Leases	Construction in Progress	Total
Cost						
At January 1, 2020	9,856	12,242	584	752	76,199	99,633
Additions	6,905	-	-	-	6,336	13,241
Change in Asset Retirement Obligation Estimate	1,425	-	-	-	-	1,425
At December 31, 2020	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)
At December 31, 2020	(824)	(57)	(317)	(630)	-	(1,828)
Net carrying amount	**17,362**	**12,185**	**267**	**122**	**82,535**	**112,471**
Cost						
At January 1, 2021	18,186	12,242	584	752	82,535	114,299
Additions	16,786	-	-	498	(1,058)	16,226
Pre-production Sales	(5,033)	-	-	-	-	(5,033)
Change in Asset Retirement Obligation Estimate	9,714	-	-	-	-	9,714
Disposals	-	-	-	(241)	-	(241)
At December 31, 2021	39,653	12,242	584	1,009	81,477	134,965
Accumulated Depreciation						
At January 1, 2021	(824)	(57)	(317)	(630)	-	(1,828)
Depreciation	-	(23)	(82)	(136)	-	(241)
Disposals	-	-	-	236	-	236
At December 31, 2021	(824)	(80)	(399)	(530)	-	(1,833)
Net carrying amount	**38,829**	**12,162**	**185**	**479**	**81,477**	**133,132**

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

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

a.) the latest estimates of mineral reserves
b.) the life of mine production schedule, operating costs and capital costs from the latest planning
c.) a copper price of $3.50 per pound; and
d.) a discount rate of 7.5%

Management's assumptions of mineral reserves and life of mine production schedule were based on information compiled by qualified persons (management's experts). The Company's FVLCD exceeded the carrying amount of the Gunnison Project and as a result, no impairment loss was recognized in the Consolidated Statement of Loss and Comprehensive Loss.

5. RESTRICTED CASH

As of December 31, 2021, the Company has restricted cash deposits of $3,311 (2020 - $3,311) as collateral to secure the issuance of bonds. Restricted cash of $3,082 deposited in 2018 included $444 for a reclamation bond as part of the Mined Land Reclamation Plan for the 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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
Trade payables	$ 921	$ 1,752
Accrued liabilities	391	282
Employee-related accruals	275	660
	$ 1,587	2,694

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 May and December of 2021, the Company entered into three Commercial Premium Finance Agreements ("Agreements") to finance $469, $387, and CAD$110 to pay for insurance premiums. The Agreements bear interest at a rate of 4.75%, 5.25%, and 8.34%, respectively per annum, payable monthly with a term of nine, eleven, and eight months, respectively. As of December 31, 2021, the Company had repaid principal of $363 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").

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 paid $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%

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"). In an amendment to the Triple Flag agreement that was executed on December 22, 2021 the Company and Triple Flag agreed to remove the right to buy-down the stream percentage.

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. 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%

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, the long-term copper price volatility of 25.11% (2020 – 22.08%), a discount rate which factors in the Company's credit spread of 7.48% (2020 comparable rate – 9.11%), 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.

On November 30, 2018, pursuant to the Project Financing, the Company issued 3.5 million share purchase warrants at an exercise price of CAD$1.50 per share and exercisable into 3.5 million common shares of the Company until November 30, 2023. The Company determined that the share purchase warrants are derivative liabilities. In the amendment to the Triple Flag agreement that was executed on December 22, 2021 the strike price changes to CAD$0.54 per share with an effective date of January 11, 2022.

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

Share purchase warrants – Triple Flag

As of December 31, 2021, the Company recorded the fair value of the share purchase warrants issued based on a Black-Scholes-Merton option-pricing model with the following assumptions:

- Underlying Share Price – CAD$ 0.41 (December 31, 2020 – CAD$ 1.12)
- Maturity Date – November 30, 2023
- Strike Price – CAD$ 1.50
- Volatility – 63% (December 31, 2020 – 53%)
- USD/CAD Exchange Rate - $0.7912 (December 31, 2020 - $0.7853)

Share purchase warrants – 2021 Equity Financing

As of December 31, 2021, the Company recorded the fair value of the share purchase warrants issued based on the market price of the warrants of CAD$0.015.

The following table summarizes the fair value of the derivative liabilities during the year ended December 31, 2021 and 2020:

	Stream	Warrants	Total
Fair value at December 31, 2019	**$ 78,887**	**$ 740**	**$ 79,627**
Loss (gain) during the year	10,776	69	10,845
Fair value at December 31, 2020	**$ 89,663**	**$ 809**	**$ 90,472**
Loss (gain) during the period	61,245	(5,036)	56,209
Addition	-	5,024	5,024
Issuance cost	-	(347)	(347)
Fair value at December 31, 2021	**$ 150,908**	**$ 450**	**$ 151,358**

At December 31, 2021, the current portion of the derivative liabilities is $2,803 based upon the production schedule and other inputs used in the valuation.

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. The Company reviewed the closure requirements under existing permits and the assumptions used in the present value calculation and adjusted the obligation to $24,960 as of December 31, 2021. The update resulted in a net increase of $10,005 from the ARO at December 31, 2020 of $14,955.

As of December 31, 2021, the estimated undiscounted JCM reclamation obligation is $12,119 (2020 - $12,119) and the estimated undiscounted Gunnison Project reclamation obligation is $2,903 (2020 - $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, 2021, the Company used an inflation rate of 3.56% (2020 - 1.64%) and a discount rate of 1.9% (2020 – 1.65%) in calculating the present value of the obligation. The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30-year treasury bond index.

Changes in the ARO for the years ended December 31, 2021 and 2020 are summarized below.

Asset Retirement Obligation		December 31, 2021		December 31, 2020
Balance, beginning of period	**$**	**14,955**	**$**	**13,327**
Change in estimate		9,714		1,425
Accretion		291		203
Balance, end of period	**$**	**24,960**	**$**	**14,955**

10. DEBT

Nebari Credit Facility

On October 31, 2019, the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP (“Nebari”) for a $15,000 credit facility (the "Credit Facility"). The Credit Facility was fully drawn by May 31, 2020. For the year ended December 31, 2021, the Company capitalized Nebari interest expenses of $2,188.

On December 22, 2021, the Company entered into an Amended and Restated Credit Agreement (“ARCA) with Nebari to extend the maturity of the Credit Facility to September 29, 2023. The interest rate charged on the outstanding balance continues at 14.2%. The ARCA includes an upward interest rate supplement that is calculated as the excess of the 3 month LIBOR rate over 1.5% and is determined on the first day of each month. The amendment includes a repayment bonus to Nebari of 3% ($450) of the amount drawn on the credit facility due at the repayment date. The transaction has been accounted for as a modification of the existing credit facility agreement and the carrying amount of the liability was adjusted to the present value of the cash flows under the amended agreement. The loss on modification of $351 was capitalized to Property, plant and equipment as a borrowing cost.

Credit Facility		December 31, 2021		December 31, 2020
Proceeds	$	15,000	$	15,000
Bonus repayment		450		-
Less: unamortized costs		(99)		(28)
Balance, end of period	**$**	**15,351**	**$**	**14,972**

Paycheck Protection Program Note

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

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

The remaining loan balance of $116 has been paid.

11. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

The authorized share capital of the Company consists of an unlimited number of common shares with no par value and an unlimited number of non-voting common shares with no par value. As of December 31, 2021, there were 274,835,944 common shares outstanding and nil non-voting common shares outstanding. During the year ended December 31, 2021 a total of 1,047,345 common shares were settled (1,481,086 common shares were issued in 2020 of which 646,507 were settled in 2020, and the remaining 834,579 shares settled in January 2021), and 242,692 restricted shares units exercised in which 203,344 were issued through substituted rights.

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

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

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

Stock Options

The Company's stock option plan (the "Plan") provides for the grant of incentive stock options to 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.

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, 2021 and 2020:

	Number of Options	Weighted Average Exercise Price (CAD$)
Outstanding, December 31, 2019	**16,475,000**	$ 0.82
Granted	7,790,000	$ 0.64
Exercised	(2,075,000)	$ 0.33
Expired	(2,300,000)	$ 0.23
Forfeited	(3,050,000)	$ 1.00
Outstanding, December 31, 2020	**16,840,000**	$ 0.85
Granted	2,120,000	$ 0.63
Exercised	(212,766)	$ 0.47
Expired	(350,000)	$ 0.97
Forfeited	(750,000)	$ 0.95
Outstanding, December 31, 2021	**17,647,234**	$ 0.82
Exercisable, December 31, 2021	**14,295,984**	$ 0.86

During the year ended December 31, 2021, a total of 212,766 stock options were exercised.

As at December 31, 2021, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price CAD$	Remaining life (years)	Expiry Date
100,000	100,000	0.77	0.08	January 31, 2022
37,234	37,234	0.47	0.45	June 13, 2022
200,000	200,000	1.18	0.61	August 10, 2022
200,000	200,000	1.20	0.72	September 21, 2022
200,000	200,000	1.15	0.97	December 19, 2022
100,000	100,000	1.25	1.15	February 22, 2023
150,000	150,000	1.29	1.27	April 9, 2023
100,000	100,000	1.00	1.37	May 15, 2023
4,330,000	4,330,000	1.00	1.84	November 2, 2023
3,245,000	3,245,000	1.02	2.24	March 26, 2024
200,000	200,000	0.96	2.95	December 10, 2024
210,000	157,500	1.12	3.08	January 28, 2025
275,000	200,000	0.92	3.14	February 19, 2025
1,480,000	1,480,000	0.48	3.23	March 24, 2025
4,450,000	3,337,500	0.60	3.29	April 15, 2025
800,000	-	0.73	3.62	August 12, 2025
100,000	50,000	0.80	3.64	August 19, 2025
235,000	58,750	0.82	4.19	March 8, 2026
600,000	150,000	0.74	4.25	March 31, 2026
635,000	-	0.41	5.00	December 31, 2026
17,647,234	14,295,984			

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 $855 for the year ended December 31, 2021 (2020 - $1,642) and capitalized $77 (2020 – $194) in mineral properties in relation to stock options granted and vested during the year ended December 31, 2021.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Risk-free interest rate	1.04%	0.61%
Dividend yield	0.00%	0.00%
Volatility	54.42%	56.20%
Expected life of options	4.47 years	5.0 years
Forfeiture rate	12.38%	8.38%

Restricted Share Units

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

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, 2021 and 2020 is provided below.

Restricted Share Units	
Balance, December 31, 2019	**100,000**
Cancelled	(100,000)
Granted	2,016,092
Balance, December 31, 2020	**2,016,092**
Exercised	(242,692)
Granted	50,000
Balance, December 31, 2021	**1,823,400**

During the year ended December 31, 2021, the Company recorded compensation costs related to RSUs in the amount of $190 (2020 - $50), which were classified as share-based compensation costs.

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, SVP/Chief Financial Officer, SVP/GM, and Corporate Secretary.

Remuneration attributed to key management personnel is summarized as follows:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
Salaries, fees and benefits	$	1,875	$	1,617
Share-based compensation	$	806		1,676
Total	$	2,681	$	3,293

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, a Director of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides regulatory and corporate secretarial services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amounts shown in the table below represent amounts paid and accrued to King & Bay for the services of King & Bay personnel and for overhead and third-party costs incurred by King & Bay on behalf of the Company.

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

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

	Year Ended December 31,			
		2021		2020
King & Bay		178		218
Kinley	$	100	$	50
Total	$	278	$	268

As of December 31, 2021, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - $95 (December 31, 2020 - $91)
- King & Bay - $14 (December 31, 2020 - $21)

13. INCOME TAXES

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

		December 31, 2021		December 30, 2020
Loss for the year	$	(61,005)	$	(20,262)
Combined federal and state income tax rates		24.87%		24.87%
Income tax recovery based on the above rate	$	(15,173)	$	(5,039)
Increase due to:				
Non-deductible costs		(1,252)		19
Income tax benefits not recognized		16,425		14,648
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, 2021	December 30, 2020
Non-capital losses	$	9,788	5,648
Property, plant and equipment		(9,786)	(5,641)
Other		(2)	(7)
Net deferred tax assets	$	-	-

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

	December 31, 2021	December 31, 2020
Non-capital losses - US	$ 7,098	$ 9,870
Non-capital losses - Canada	4,528	4,522
Exploration and evaluation assets	3,950	1,183
Asset retirement obligation	5,015	3,025
Stream obligation	16,166	6,249
Other	1,696	1,439
Net deferred tax assets	$ 38,454	$ 26,289

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

	December 31, 2021	December 30, 2020	Expiry Date
Non-capital losses - US	$ 75,037	$ 95,683	Unlimited
Non-capital losses - Canada	16,770	16,747	2025 to 2040
Exploration and evaluation assets	15,881	4,757	2039 to Unimited
Asset retirement obligation	20,164	12,163	Unlimited
Stream obligation	65,000	25,126	Unlimited
Other	6,821	5,788	Unlimited
Net deductable (taxable) temporary differences	$ 199,673	$ 160,264	

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.

In accordance with the Amended and Restated Credit Agreement ("ARCA") signed with Nebari on December 22, 2021 the Company is required to maintain a minimum cash balance of $5,000. The minimum cash balance is defined in the ARCA to include cash and cash equivalents, plus accounts receivable from the sale of copper cathode and copper cathode inventory as reported on the Company's balance sheet. In the event that the minimum cash balance is less than $5,000 at any monthly reporting date then there is a 60-day cure period allowed.

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.

Market risk

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

Currency risk

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

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

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 $14,042, whereas a 1% decrease in the interest rate would increase the value of the stream liability by $17,492.

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 $36,582, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by $31,895.

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. See note 1.

As of December 31, 2021, the Company has cash and cash equivalents of $20,854 to settle current liabilities of $5,430.

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 liabilities by level within the fair value hierarchy.

As of December 31, 2021	**Carrying value**	**Fair Value**		
	FVTPL	**Level 1**	**Level 2**	**Level 3**
Restricted share units	$ 258	$ -	$ 258	$ -
Debt	15,351	-	-	15,351
Derivative liabilities	151,358	394	-	150,964
	$ 166,967	$ 394	$ 258	$ 166,315

17. COMMITMENTS

The Company has the following commitments and contractual obligations as of December 31, 2021:

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts Payable and accrued liabilities	$ 1,587	$ 1,587	$ -	$ -	$ -
Lease Liabilities	491	91	297	103	-
Asset Retirement Obligation[1]	24,960	-	-	-	24,960
Total Contractual Obligations	$ 27,038	$ 1,678	$ 297	$ 103	$ 24,960

[1] Classification of such amounts is based on estimates of when reclamation work will be performed. Amounts represent undiscounted estimates.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

Management's Discussion and Analysis ("MD&A") is as of March 22, 2022 and relates to the financial condition of Excelsior Mining Corp. and its subsidiaries ("Excelsior" or the "Company") as of December 31, 2021. The MD&A supplements and complements Excelsior's audited Consolidated Financial Statements for the years ended December 31, 2021 and 2020 (the "Consolidated Financial Statements") and related notes. Comparison of the 2021 financial results in this MD&A is provided to the financial results for the three months and year ended December 31, 2020. Other relevant documents to be read with this MD&A include the Annual Information Form ("AIF") for the year ended December 31, 2021. These documents are available 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 22, 2022.

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. 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.

In the amendment to the Triple Flag agreement that was executed on December 22, 2021 the Company and Triple Flag agreed to remove the right to buy-down the stream percentage and adjust the warrant strike price to CAD $0.54 effective January 11, 2022.

As of September 30, 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 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%

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").

The table below shows the range of percentage of production to be purchased by Triple Flag based on specified production levels and that includes Triple Flag's Expansion Option. 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%

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, the long-term copper price volatility of 25.11% (December 31, 2020 – 22.08%), a discount rate which factors in the Company's credit spread of 7.48% (December 31, 2020 – 9.11%), 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.

On November 30, 2018, pursuant to the Project Financing, the Company issued 3.5 million share purchase warrants at an exercise price of CAD$1.50 per share and exercisable into 3.5 million common shares of the Company until November 30, 2023. The Company determined that the share purchase warrants are a derivative liability as they are denominated in a currency other than USD.

In the amendment to the Triple Flag agreement that was executed on December 22, 2021, the exercise price changed to CAD$0.54 per share with an effective date of January 11, 2022.

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 May 31, 2020, the $15,000 credit facility had been 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.

On December 22, 2021, the Company entered into an agreement with Nebari to extend the maturity of the Credit Facility to September 29, 2023. The amendment includes a repayment bonus to Nebari of 3% ($450) of the amount drawn on the credit facility due at the repayment date and has been stated at its present value.

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.

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

The remaining loan balance of $116 has been paid.

2021 "BOUGHT DEAL" FINANCING

On February 22, 2021, the Company closed a "bought deal" public offering (the "Offering") of units of the Company (the "Units") with Scotiabank and PI Financial Corp. as joint bookrunners and underwriters. The Company issued a total of 33,350,000 Units at a price of CAD$0.95 per Unit. Each Unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire a common share at an exercise price of CAD$1.25 until August 22, 2022. The Company received $23,163 as net proceeds from the Offering. The net proceeds of the "bought deal" financing were allocated for the continued ramp up and operation of the Company's Gunnison Project including operating, corporate, business development, legal and sustaining capital costs.

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 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 included 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 had been successful; however, 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 had 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%. During February 2021, the copper purity achieved 99.999% as per the feasibility design and is anticipated for all future copper harvests.

The Company is continuing with ramp up activities to attain commercial production levels. The ramp up process has been slowed by the formation of CO_2 in the wellfield which occurs when the acidified raffinate comes into contact with secondary calcite within the permeable fracture system. Cycling periods of fresh water injection with acid injection and recovery has demonstrated sustained flow improvements on individual wells. To resolve this issue throughout the existing wellfield, the Company has announced plans to design, construct and operate a raffinate neutralization plant that will be used to provide approximately pH neutral solutions for use in the earlier described cycling process. Additionally, the Company is planning to restart the Johnson Camp copper oxide open pits to supplement copper production during the period required to design, construct, and operate the raffinate neutralization plant for a period of time sufficient to alleviate CO_2 in the existing wellfield. The Company has determined that it will reach commercial production from the wellfield once a production rate of approximately 70% of the designed production capacity of 25 million copper pounds per annum at a Grade 1 copper specification has been sustained for a period of 30 days.

See additional discussion below in "Outlook".

The Company had 54 employees as of December 31, 2021.

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 2022.

Subsidiary Merger

On March 1, 2021 a merger of the Company's subsidiaries Excelsior Mining Arizona, Inc. and Excelsior Mining JCM, Inc. was completed with Excelsior Mining Arizona, Inc. as the surviving entity. Excelsior Mining Arizona, Inc. assumed all of the assets and liabilities of Excelsior Mining JCM, Inc. on completion of the merger. The merger was completed for administrative purposes due to the integrated nature of the operations of the two companies.

STRONG & HARRIS

Excelsior recently announced that it had filed a National Instrument ("NI") 43-101 Technical Report entitled "Estimated Mineral Resources and Preliminary Economic Analysis, Strong and Harris Copper-Zinc-Silver Project, Cochise County, Arizona" dated effective September 9, 2021 (the "Report") available on SEDAR at www.sedar.com. The Strong and Harris deposit is a complementary asset that has the potential to allow the Company to become a larger and longer-term producer than previously envisioned.

Mining of the Strong and Harris deposit would be by traditional open pit with high-grade underground mining of the remaining sulfides at the bottom of the pit. The PEA has been completed by Mine Development Associates, a division of RESPEC (MDA), the highlights of which are tabulated below assuming a \$3.50/lb. copper price, \$1.28/lb. zinc price, and \$110/ton acid cost. See table below.

Mine Life	~7 years
Material Mined	~54 M ton
Cu/Zn Grades	0.56% / 0.68%
Cu/Zn Produced	437 M lb / 575 M lb
Initial Capital	$328 million
Operating Costs ($/lb CuEq)	$1.76
Average Cu/Zn annual production	62 Mlbpa / 82 Mlbpa
Pre-Tax NPV/IRR (8% discount rate)	$325M / 25%

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

The Company's next steps with Strong and Harris are a drill program targeting adjacent geophysical anomalies with the goal of expanding the mineral resource, which may be followed by additional metallurgical test work and eventual completion of a feasibility study.

COVID-19

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

While the media reports both new strains of the virus and a continuation of new COVID-19 cases globally, as of the date of this MD&A the State of Arizona has no travel restrictions in place and vaccinations are progressing. However, the State has previously demonstrated a willingness to issue defensive orders where it sees the need. Any such order that would significantly restrict the movement of people or goods could impact the Company's ability to access its properties and complete exploration, development or production programs in the current year.

The 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, 2021 were $100,159. The forecast exceedance is the result of capitalizing operating costs to the project during the longer than expected production ramp up phase.

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

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

a.) the latest estimates of mineral reserves
b.) the life of mine production schedule, operating costs and capital costs from the latest planning
c.) a copper price of $3.50 per pound; and
d.) a discount rate of 7.5%

Management's assumptions of mineral reserves and life of mine production schedule were based on information compiled by qualified persons (management's experts). The Company's FVLCD exceeded the carrying amount of the Gunnison Project and as a result, no impairment loss was recognized in the Consolidated Statement of Loss and Comprehensive Loss.

The Company has previously disclosed the various issues that have been identified during the ramp-up phase of initial production. Certain issues have been resolved (as detailed above in this MD&A) but a variety of issues still need to be worked through, such as how to minimize the impact of carbon-dioxide on fluid flows and how best to maximize flow rates in general. The reduced flow rates are slowing ramp-up to name plate productions of 25 million pounds per annum. The Company believes this is a finite problem; however, in an effort to speed up the removal of the effects of carbon-dioxide or reduce its impact, the Company continues to investigate remedial processes. These are occurring in conjunction with daily operations. At this time the Company is unable to forecast when name plate production will be reached as it needs to complete its review of remedial processes and fully assess any required adjustments to the operating plan.

For the year ended December 31, 2021, total copper sold has reached 1,177,858 lbs. with an additional 30,740 lbs. in inventory. This low total production number is due to certain factors including lower than expected flow rates and the wellfield operating at a reduced capacity throughout 2021 as certain wellfield optimization initiatives were being tested. Additional wellfield optimization initiatives are being planned or considered. Many of these may initially be disruptive to production ramp-up due to the installation and/or testing of equipment or the application of the initiative. While Management is focused on mitigating the impact of the various wellfield issues and the impact of the optimization initiatives on ramp-up, they may contribute to further delays to production ramp-up period, increased capital or operating costs or decreased production.

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. Achieving this outcome is contingent on managing COVID-19 conditions, resolving ramp-up issues and successfully implementing many of our wellfield optimization programs.

The Company is moving ahead with the work required to advance its strategy to restart and operate the legacy Johnson Camp mine to produce cashflow while Gunnison ramps up and the raffinate neutralization plant is designed and constructed for use in the carbon-dioxide remedial process. The initial capital cost of the raffinate neutralization plant and infrastructure is estimated to be approximately $29 million ($87 million life of mine) and includes additional piping and pond modifications. The cost has been updated through engineering estimates obtained in 2021. The Company is also exploring additional options to accelerate the removal of carbon-dioxide that if successful could potentially lower the required capital and operating costs as compared to the raffinate neutralization path. This includes a plan to undertake well stimulation trials in the second half of the current year. Well stimulation has the potential to clean out some of the CO_2 bubbles, improve flow rates, improve sweep efficiency, and increase permeability and copper production. Data will be collected during the trials to ascertain the effectiveness of the technique. The trials will be subject to EPA approval.

SELECTED ANNUAL INFORMATION

A summary of the Company's consolidated financial results for the years ended 2021, 2020, and 2019 are presented below:

	2021	2020	2019
Pre-production sales[(1)]	$ 5,033	$ nil	$ nil
Total assets	159,908	131,877	128,819
Working Capital	18,035	7,109	17,871
Total non-current liabilities	189,266	116,028	94,086
Shareholders' equity	(35,211)	6,863	25,482
Net loss for the year	61,005	20,264	23,880
Basic and diluted loss per share	0.23	0.08	0.10

[(1)]Pre-production copper sales are capitalized as an offset to ramp-up costs

REVIEW OF FINANCIAL RESULTS

The net loss for the years ended 2019, 2020 and 2021 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 2019, 2020 and 2021.

A comparison of the financial results for the year and the three-month period ended December 31, 2021 and December 31, 2020 is provided below:

	Note	Three months ended December 31, 2021	Three months ended December 31, 2020	For the year ended December 31, 2021	For the year ended December 31, 2020
Operating Expenses					
Johnson Camp holding and maintenance cost		**$ 61**	$ 0	**$ 102**	$ 2,270
Evaluation and permitting		**105**	365	**987**	948
Office and administration		**189**	83	**720**	1,328
Professional fees		**83**	182	**666**	616
Directors and officers fees		**515**	493	**2,153**	999
Investor relations		**201**	54	**407**	249
Share-based compensation	11	**128**	471	**855**	1,642
Regulatory fees		**6**	38	**116**	97
Depreciation		**(224)**	154	**241**	588
Total Operating Expenses		**$ 1,064**	$ 1,840	**$ 6,247**	$ 8,737
Other Items					
Loss on derivative at fair value	8	**48,641**	15,720	**56,209**	10,845
Financing expense		**118**	59	**343**	870
Interest income		**(4)**	(23)	**(18)**	(328)
Unrealized loss (gain) on foreign exchange		**2**	(2)	**(29)**	18
Paycheck Protection Program loan forgiveness	10	**-**	-	**(1,090)**	-
Other (income) loss		**(112)**	(105)	**(657)**	122
Total Other Items		**$ 48,645**	$ 15,649	**$ 54,758**	$ 11,527
Loss and comprehensive loss for the year		**$ 49,709**	$ 17,489	**$ 61,005**	$ 20,264
Loss per common share:					
Basic and diluted		**$ 0.18**	$ 0.07	**$ 0.23**	$ 0.08
Weighted average number of common shares outstanding: Basic and diluted		**274,527,803**	239,650,395	**269,627,462**	239,650,395

For the year ended December 31, 2021 compared to the year ended December 31, 2020:

For the year ended December 31, 2021 the Company's net loss was $61,005 ($0.23 per share) compared to a net loss of $20,264 ($0.08 per share) for the year ended December 31, 2020. The higher net loss for the year ended December 31, 2021 as compared to the same period of 2020 resulted primarily from a non-cash loss of $56,209 in 2021, compared to $10,845 in 2020 arising from the change in fair value of the copper stream derivative liability. Expense of Gunnison Project costs during the COVID-19 related care and maintenance that took place from April through July 2020 did not occur in 2021.

Significant changes in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021 and 2020 are described below:

For the year ended December 31, 2021 the Company incurred JCM holding and maintenance costs of $102 (2020 - $2,270). For the 2021 period, these costs were capitalized as Gunnison Project construction costs, except for 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, 2021 evaluation and permitting expenses amounted to $987 (2020 - $948). These costs were mainly from the exploration program undertaken on the JCM, Strong & Harris and Courtland Mann properties.

For the year ended December 31, 2021, office and administration costs were $720 which were $608 below the comparable 2020 period of $1,328 primarily due to the capitalization of costs to the Gunnison Project in 2021 whereas in 2020 costs were expensed during the Covid-19 related care and maintenance period from April through July.

Professional fees for the year ended December 31, 2021 were $666 which were $50 higher than the comparable 2020 period of $616 primarily due to higher legal fees.

Directors' and officers' fees incurred during the year ended December 31, 2021, were $2,153 compared to $999 during the same period of the prior year, an increase of $1,154. In 2020 the accrued bonuses from 2019 were reversed as they were not paid, thus reducing the 2020 expense, and in 2021 there were no bonus accruals nor payments and there was a one-time fee of $150 paid related to the Offering.

Investor relations costs incurred in 2021 of $407 were higher than the comparable 2020 period of $249 as activities were resumed with the easing of some restrictions related to COVID-19 and additional marketing occurred in 2021.

During the year ended December 31, 2021, the Company incurred share-based compensation expenses of $855 (2020 – $1,642). The decrease in non-cash share-based compensation expense of $787 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 and vested.

For the year ended December 31, 2021 depreciation amounted to $241 (2020 - $588). Lower depreciation in 2021 is due to a change in the estimated ARO depreciation to be charged prior to commercial production being attained.

Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021 and 2020 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, 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.

In the amendment to the Triple Flag stream agreement that was executed on December 22, 2021 the Company and Triple Flag agreed to remove the right to buy-down the stream percentage.

Financing expense for the year ended December 31, 2021 was $343 compared to $870 for the year ended December 31, 2020. The decrease in financing expense is mainly due to the interest on the Nebari loan being capitalized for all of 2021, while the project is in the ramp up phase, versus in 2020 the project was in Care and Maintenance due to Covid-19 restrictions from April through July and the interest was expensed for that period.

During the year ended December 31, 2021, the Company realized interest income of $18 versus interest income of $328 for the comparable period of 2020. Interest income was lower in 2021 compared to the same period of 2020 mainly due to a decrease in interest income on cash investments from the Company's lower cash balance in 2021, and a lower interest rate.

Other income of $657 for the year ended December 31, 2021 compared to Other loss of $122 for 2020 resulted in a $779 change year over year. The 2021 balance consists primarily of sales of JCM waste rock and limestone of $441 supplemented by scrap sales of $185 whereas in 2020 there was an acid prepayment of $554 foregone due to the delay related to the Covid-19 Care and Maintenance period.

SELECTED QUARTERLY INFORMATION

The following table summarizes selected financial information for the Company for each of the past eight quarters ending December 31, 2021:

	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Net (income)/loss for the period	$ 49,709	$ (4,192)	$ 11,444	$ 4,044
Loss (gain) on derivative at fair value	48,641	(5,621)	11,031	2,158
(Income)/loss per share (basic and diluted)	0.18	(0.02)	0.04	0.02
Total assets	159,908	154,083	155,469	151,453

	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

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 used in the valuation of the copper stream derivative and the agreement to remove the buy-down right resulted in fluctuations in the valuation of the copper stream derivative and consequently net (income)/loss. The net loss for the quarter-ended December 31, 2021 of $49,709 included a loss of $48,641 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 the ramp-up phase.

Three months ended December 31, 2021 compared to the three months ended December 31, 2020:

For the three-months ended December 31, 2021 the Company's net loss was $49,709 ($0.18 per share) compared to a net loss of $17,489 ($0.07 per share) for the three-months ended December 31, 2020. The higher net loss for the three-month period ended December 31, 2021 as compared to the same period of 2020 derived primarily from the non-cash loss of $48,641 on the revaluation of the copper stream derivative liability, which was $32,921 higher than the 2020 period.

Significant changes in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the three-months ended December 31, 2021 and 2020 are described below:

For the three-months ended December 31, 2021 the Company incurred JCM holding and maintenance costs of $61 (2020 - $0). The cost primarily consists of power costs to maintain the existing heap leaches.

For the three months ended December 31, 2021 evaluation and permitting expenses incurred were $105 (2020 - $365). Costs for the three-months ended December 31, 2021 were lower than the comparable period of 2020 due to the timing of exploration activities.

Office and administration expenses for the three-months ended December 31, 2021 were $189 compared to $83 during the same period of the prior year primarily due to higher corporate insurance premiums.

Professional fees incurred during the three months ended December 31, 2021 were $83 compared to $182 during the same period of the prior year, representing a decrease of $99. Lower professional fees resulted from a decrease in tax and audit and legal related costs.

Directors' and officers' fees incurred during the three months ended December 31, 2021, were $515 compared to $493 during the same period of the prior year, representing an increase of $22.

Investor relations costs for the three months ended December 31, 2021 were $201 which were higher than the comparable 2020 period of $54 as activities resumed in 2021 with the easing of some Covid-19 restrictions.

During the three months ended December 31, 2021, the Company incurred share-based compensation expenses of $128 (2020 - $471). The decrease in non-cash share-based compensation expense of $343 is due to fewer stock options granted to directors and officers, consultants, and management personnel in 2021.

Depreciation expense for the three months ended December 31, 2021 was a credit of $224 compared to $154 for the three months ended December 31, 2020. Lower depreciation in the quarter is due to a change in the estimated ARO depreciation to be charged prior to commercial production being attained.

Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the three-months ended December 31, 2021 and 2020 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, 2021, the non-cash loss of $48,641 for revaluation of the derivative liability was primarily driven by the removal of the buy-down right, an increase in the copper price and the impact of a lower credit spread in the valuation model assumptions.

Financing expense for the three months ended December 31, 2021 was $118 compared to $59 for the three months ended December 31, 2020. The increase was mainly due to the accretion from the Asset Retirement Obligation.

Other income of $112 for the three-month period of 2021 and $105 for the three-month period of 2020 mainly represents sales of waste rock material from JCM.

Review of February 22, 2021 "Bought Deal" Financing Proceeds

On February 22, 2021, the Company completed a bought deal financing consisting of 33,350,000 units with each unit consisting of one share and one share purchase warrant for a price of CAD$0.95 per unit. The net proceeds of the "bought deal" financing was US$23,163. As of December 31, 2021, the Company has used the net proceeds from this "bought deal" financing as follows:

Activity or Nature of Expenditure	Initial Estimated use of Net Proceeds ($)	Approximate Actual use of Net Proceeds ($)
General Working Capital	16,663,058[1]	15,736,963
Sustaining Capital	6,500,000	1,281,291
Total	23,163,058	17,018,254

[1] This number has been increased from the disclosure in the prospectus supplement to add in the additional proceeds realized on the exercise of the over-allotment option by the underwriters.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $20,854 as of December 31, 2021 (December 31, 2020 - $13,606). Cash and cash equivalents increased $7,248 during the year ended December 31, 2021 compared to a decrease of $11,294 during 2020. The change is primarily due to the "bought deal" financing undertaken in February 2021.

Net cash used in operating activities for the year ended December 31, 2021 was $4,667 compared to net cash used of $11,146 in 2020. The decrease in operating cash outflows for 2021 compared to 2020 was mainly due to the Gunnison Project being placed on care and maintenance for four months in 2020 and having related costs charged to operations versus being capitalized in 2021.

Net cash used in investing activities for the year ended December 31, 2021 was $11,366 compared to net cash used of $11,329 for the same period of 2020. The net cash used in both years was the result of capitalization of cash expenditures to Mineral Properties and the Gunnison Project, and in 2021 pre-production sales of $5,033 was capitalized as an offset to ramp up costs.

Net cash provided by financing activities for the year ended December 31, 2021 was $23,252 compared to $11,199 for the same period of 2020. During 2021 the financing activities primarily consisted of the bought deal financing proceeds. In 2020, the financing activities primarily consisted of tranches from Nebari and the Paycheck Protection Loan.

The Company had working capital of $18,035 at December 31, 2021 (December 31, 2020 – $7,109). The increase in working capital was primarily the result of the higher cash balance in 2021 as a result of the "bought deal" financing proceeds.

During the year ended December 31, 2021, the Company incurred a net loss of $61.0 million, used cash flow from operations of $4.6 million, and used cash for the Gunnison Project ramp up recorded in investing activities of $11.3 million. As at December 31, 2021, the Company had working capital of $18.0 million, including a cash balance of $20.8 million. The Company also has certain financial liabilities which carry financial covenants which may be breached within the next twelve months due to the Company's delay in reaching production in the current year (further discussed below). These conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

On September 9, 2021 the Company announced that it is planning to restart the existing Johnson Camp Mine (JCM) pits and construction of a new heap leach pad to generate cash flow to continue to support the ramping up to nameplate production at the Gunnison project.

The Company has a loan in the amount of $15 million dollars due to Nebari Natural Resources Credit Fund I LLP ("Nebari") on September 29, 2023. The Company must maintain a minimum $5.0 million cash balance, defined as cash and cash equivalents plus accounts receivable from sales of copper cathode plus copper cathode inventory, in accordance with the Amended Restated Credit Agreement ("ARCA") which was executed on December 22, 2021. The ARCA allows a 60 day cure period should the minimum cash balance fall below $5 million at any month end.

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the "Stream Agreement"), the Company is required to maintain a leverage ratio of 3.5:1.0. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). An amendment to the "Stream Agreement" which was executed on December 22, 2021 has the applicability of the leverage ratio suspended until September 29, 2023 (the "Leverage Ratio Grace Period").

The Company has been successful in obtaining significant equity and other financings since inception and intends to continue financing its future requirements through mining of the existing JCM pits and through a combination of equity, debt and/or other arrangements. These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that it will be able to meet its existing obligations and commitments and fund ongoing operations in the normal course of business for at least twelve months from December 31, 2021. However, there can be no assurance that the Company will be able to obtain the necessary financing in 2023 and beyond to enable it to continue in operation and to advance its projects to production.

As of December 31, 2021, the Company does not have any pre-arranged sources of financing.

The Company continues to ramp up the Gunnison Project towards full nameplate production of 25MMlbs per annum and is working towards a restart of the existing JCM pits.

STATEMENT OF FINANCIAL POSITION INFORMATION

The following is a summary of the Company's financial position at December 31, 2021 compared to the annual statement of financial position at December 31, 2020.

		As at December 31, 2021		As at December 31, 2020
Cash and cash equivalents	$	20,854	$	13,606
Receivables		341		690
Prepaid expenses		1,020		861
Materials and supplies		1,250		938
Property, plant and equipment, net		133,132		112,471
Restricted cash		3,311		3,311
Total Assets	$	159,908	$	131,877

		As at December 31, 2021		As at December 31, 2020
Accounts payable and accrued liabilities	$	1,587	$	2,694
Amounts due to related parties		109		112
Lease liabilities (current and long-term)		491		46
Insurance premium financing		582		434
Restricted share units		258		123
Derivative liability (current and long-term)		151,358		90,472
Debt (current and long-term)		15,351		16,178
Asset retirement obligation		24,960		14,955
Capital stock		108,045		89,480
Other equity reserves		12,195		11,406
Deficit		(154,199)		(93,194)
Accumulated other comprehensive loss		(829)		(829)
Total Liabilities and Equity	$	159,908	$	131,877

Assets

Cash and cash equivalents increased by $7,248 during the year ended December 31, 2021 as previously discussed in "Liquidity and Capital Resources" above.

The increase of $20,661 in net Property, plant and equipment at December 31, 2021 primarily reflects capitalized expenditures and accruals for Gunnison Project construction and Mineral Properties reduced by pre-production sales of copper.

Liabilities

Accounts payable and accrued liabilities decreased by $1,107 for the year ended December 31, 2021, mainly resulting from the settlement of the lawsuit with the drilling contractor.

Derivative liability of $151,358 at December 31, 2021 consists of the fair value of the copper stream ($150,964) and the fair value of the common share purchase warrants ($394). The $60,886 increase in 2021 is principally related to changes in the valuation model assumptions related to the removal of the buy-down right, 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 $10,005 for the year ended December 31, 2021 consists of $9,714 for a change in estimated costs from updating the inflation and discount rate assumptions, and $291 for the accretion of the ARO estimate at December 31, 2021.

Equity

During the year ended December 31, 2021, capital stock increased by $18,565 primarily from the net proceeds from the "bought-deal" financing.

During the year ended December 31, 2021, other equity reserves increased by $789 primarily due to share-based compensation costs.

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, 2021	Date of report
Common Shares	274,835,944	274,835,944
Stock options	17,647,234	17,647,234
Restricted share units	1,823,400	1,823,400
Warrants	36,850,000	36,850,000

During the year ended December 31, 2021, a total of 212,766 stock options were exercised.

Contractual Obligations

The Company has the following contractual obligations as of December 31, 2021:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts Payable and accrued liabilities	$ 1,587	$ 1,587	$ -	$ -	$ -
Lease Liabilities	491	91	297	103	-
Asset Retirement Obligation[1]	24,960	-	-	-	24,960
Total Contractual Obligations	$ 27,038	$ 1,678	$ 297	$ 103	$ 24,960

[1] Classification of such amounts is based on estimates of when reclamation work will be performed. Amounts represent undiscounted estimates.

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, SVP/Chief Financial Officer, SVP/GM, and Corporate Secretary.

Remuneration attributed to key management personnel is summarized as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Salaries, fees and benefits	$ 1,875	$ 1,617
Share-based compensation	$ 806	1,676
Total	$ 2,681	$ 3,293

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, a Director of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides regulatory and corporate secretarial services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amounts shown in the table below represent amounts paid and accrued to King & Bay for the services of King & Bay personnel and for overhead and third-party costs incurred by King & Bay on behalf of the Company.

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

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
King & Bay	178	218
Kinley	$ 100	$ 50
Total	$ 278	$ 268

As of December 31, 2021, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - $95 (December 31, 2020 - $91)
- King & Bay - $14 (December 31, 2020 - $21)

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies applied in the preparation of the audited consolidated financial statements for the year ended December 31, 2021 are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020.

Recent accounting pronouncements

In May 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 16 – Property, Plant and Equipment ("IAS 16") . The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. We are in the process of evaluating the accounting impact and the quantitative impact of adopting the amendments to IAS 16 will be reported in the first quarter of 2022.

In August 2020, the IASB published an amendment for Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16) ("Phase 2 amendments") to address the financial reporting impacts of replacing one benchmark interest rate with an alternative rate. The Phase 2 amendments provide a practical expedient to ease the potential burden of accounting for changes in contractual cash flows and include disclosure requirements at the time of benchmark interest rate replacement. The Company adopted this amendment and determined that it does not have a material impact on the Company's consolidated financial statements. 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, 2021 and 2020.

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, 2021 and 2020.

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 option 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, 2021 and 2020. As of December 31, 2021, 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.

Market risk

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 $14,042, whereas a 1% decrease in the interest rate would increase the value of the stream liability by $17,492.

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 $36,582, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by $31,895.

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, 2021, the Company has cash and cash equivalents of $20,854 to settle current liabilities of $5,430.

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, 2021	Carrying value	Fair Value		
	FVTPL	Level 1	Level 2	Level 3
Restricted share units	$ 258	$ -	$ 258	$ -
Debt	15,351	-	-	15,351
Derivative liabilities	151,358	394	-	150,964
	$ 166,967	$ 394	$ 258	$ 166,315

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. In 2021, 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 disputed the action and the amounts payable to the contractor. The Company filed a Motion to Dismiss the Arizona matter on March 4, 2021. A hearing was held on May 18, 2021 on the Motion to Dismiss. Judgment was delivered on June 16, 2021 granting the Company's Motion to Dismiss in part. On August 16, 2021 the Company and the contractor entered into an agreement which settled all claims.

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

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

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, are responsible for the design of the Company's disclosure controls and procedures in order to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

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, 2021.

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, 2021, 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, 2021, the Company's internal control over financial reporting is effective.

During the year ended December 31, 2021, 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.

Additional information about the Strong & Harris Project can be found in the technical report filed on SEDAR at *www.sedar.com* entitled: "Estimated Mineral Resources and Preliminary Economic Analysis, Strong and Harris Copper-Zinc-Silver Project, Cochise County, Arizona" dated effective of September 9, 2021.

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, 2021.

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; (vi) the intention

to mine Johnson Camp and future production therefrom; (vii) the results of the Preliminary Economic Assessment on Strong & Harris; and (viii) 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, 2021:

- 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, replaced 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.