



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022**

**EXCELSIOR MINING CORP.
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Management's Discussion and Analysis ("MD&A") is as of November 8, 2022 and relates to the financial condition of Excelsior Mining Corp. and its subsidiaries ("Excelsior" or the "Company") as of September 30, 2022. The MD&A supplements and complements Excelsior's unaudited Condensed Consolidated Interim Financial Statements for the nine months ended September 30, 2022 (the "Consolidated Financial Statements") and related notes. Comparison of the financial results in this MD&A is provided to the financial results for the three and nine-month period ended September 30, 2022, or the year ended December 31, 2021. Other relevant documents to be read with this MD&A include the Audited Consolidated Financial Statements for the year ended December 31, 2021, and the Annual Information Form ("AIF") for the year ended December 31, 2021. These documents are available on the Company's website at www.excelsiormining.com, and on the SEDAR website at www.sedar.com.

The unaudited Consolidated Financial Statements for the nine months ended September 30, 2022 have been prepared in accordance with International Financial Reporting Standards, as applicable to interim financial reports including International Accounting Standard 34, Interim Financial Reporting ("IFRS"). The condensed consolidated interim financial statements do not include all the information required for full annual financial statements. The accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in the Company's audited annual consolidated financial statements unless otherwise disclosed (see Accounting Policies, Estimates and Judgements). All dollar amounts are expressed and presented in thousands of United States dollars except per share amounts (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 November 8, 2022.

DESCRIPTION OF BUSINESS AND GOING CONCERN

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

The Company is developing the Gunnison Project in Southeastern Arizona and has restarted the 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.

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

During the nine-month period ended September 30, 2022 the Company had income of \$70.3 million that included a non-cash gain on the derivatives of \$82.3 million and used cash for operations of \$11.2 million. As at September 30, 2022 the Company had a negative working capital of (\$6.6) million, including a cash balance of \$8.4 million. The Company also has certain current financial liabilities which carry financial covenants that may be breached within the next twelve months due to the Company's delay in reaching commercial production. These conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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. The amendment to the loan agreement requires

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the Company to maintain a \$5 million minimum cash balance. The Company's cash flow projections indicate that the minimum balance requirement is likely to be breached within the next 12 months unless additional financing is obtained. The amendment to the loan agreement allows a 60 day cure period in the event of a breach of this condition. Nebari also offered an additional \$15 million loan, available in three tranches, and subject to Nebari completing satisfactory due diligence on the JCM Pit restart and plans for and actual production improvements on the existing wellfield. The availability period for the first \$5 million tranche (fourth tranche) of this additional loan was to end on June 30, 2022, however, on May 31, 2022 Nebari extended the availability of the fourth tranche to December 31, 2022. 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. Under the amendment the Leverage Ratio Grace Period may be further extended to July 31, 2024, subject to certain conditions, in the event that Nebari advances additional funds to the Company. 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. However, there can be no assurance that the Company will be able to obtain the necessary financing. The consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments could be material.

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 and to extend the Leverage Ratio Grace Period to September 29, 2023. Under the amendment the Leverage Ratio Grace Period may be further extended to July 31, 2024, subject to certain conditions, in the event that Nebari advances additional funds to the Company.

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.

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

Scenario Description	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.

As at September 30, 2022 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 26.13% (December 31, 2021 – 25.11%), a discount rate which factors in the Company's credit spread of 9.99% (December 31, 2021 – 7.48%), 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 of the 3.5 million share purchase warrants 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. Nebari also offered an additional \$15 million loan, available in three tranches, subject to Nebari completing satisfactory due diligence on the JCM Pit restart and plans for and actual production improvements on the existing wellfield. The availability period

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for the first \$5 million tranche (fourth tranche) of this additional loan was to end on June 30, 2022, however, on May 31, 2022 Nebari extended the availability of the fourth tranche to December 31, 2022. The amendment requires the Company to maintain a minimum cash balance of \$5,000 allowing a 60 day cure period in the event of a breach.

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 advanced a loan in the amount of \$1,206.

On March 31, 2021 the Company was notified that the Small Business Administration (SBA) had approved the forgiveness of \$1,090 of the PPP loan, and this amount was recognized in "Other Items".

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

GUNNISON PROJECT AND JOHNSON CAMP

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.

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 currently in limited operation with limited acid injection to the wellfield. The ramp up process has been slowed by the formation of CO₂ in the wellfield which occurs when the acidified raffinate comes into contact with secondary calcite within the permeable fracture system. The Company has applied for an amendment to the Environmental Protection Agency to allow well stimulation. It is expected to be approved in Q1 2023. The Company plans to undertake Well stimulation trials as soon as practical thereafter. Well stimulation has the potential to open-up (inflate) pre-existing fractures which will allow CO₂ more opportunities to escape. Additionally, the Company is planning to restart the Johnson Camp copper open pits to supplement copper production.

On June 22, 2022 the Company announced the completion of its infill drill program on the Johnson Camp mine Pits. A total of 43 diamond holes were drilled and assay results obtained. The results, along with other information, will be used by the Company to develop a mine plan that focuses on higher-grade zones first. Permitting of the new leach pad necessary to restart operations is in progress; however, the additional drilling and metallurgical testing will push the Company's goal of restarting mining operations at JCM into 2023.

On June 22, 2022 the Company announced that in order to conserve cash the Company was reducing its workforce and putting the wellfield on reduced operations by temporarily stopping acid injection. These actions will allow the Company to focus on investigating the key recommendations from the March 2022 Gunnison Project Pre-feasibility Study update, planning for well stimulation trials to determine efficacy in alleviating CO₂ blocking, continuing with the evaluation of the Johnson Camp Mine open pit opportunity and evaluating the oxide and sulfide potential of all of its mining assets.

See additional discussion below in "Outlook".

The Company had 42 employees as of September 30, 2022.

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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 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 "S & H 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 S&H Report generated a preliminary economic assessment ("PEA") that was 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 Mlbp / 82 Mlbp
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.

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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 with new variants arising that are stated to be more virulent. Although multiple vaccines have been released and are being administered to the public, COVID-19 infections continue to occur. Depending on the overall infection rates, governments may 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.

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 worsen. 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 September 30, 2022 were \$93,120 after adjusting for the impact of applying the IAS 16 Amendment further discussed below in "Accounting Policies, Estimates and Judgements".

During 2021, 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 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

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flow rates are slowing ramp-up to nameplate production 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 reduced daily operations as noted above. At this time the Company is unable to forecast when nameplate 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 nine-month period ended September 30, 2022, total copper sold was 766,915 lbs. with an additional 120,703 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 the first three quarters of 2022. Additional wellfield optimization initiatives are being planned or considered. 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 as noted above.

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 resolving ramp-up issues and successfully implementing many of our wellfield optimization programs.

The Company is 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 previous raffinate neutralization path. This includes a plan to undertake well stimulation trials in the first half of 2023 with timing primarily dependent upon EPA approval. Well stimulation has the potential to clean out some of the CO₂ 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. The Company is also continuing to move forward with evaluating the oxide and sulfide potential of all of its mining assets, which may be extracted using conventional mining methods.

SELECTED QUARTERLY INFORMATION

The following table summarizes selected financial information for the Company for each of the past eight quarters ending September 30, 2022 (restated for 2021):

	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Net (income)/loss for the period (restated for 2021)	\$ (15,925)	\$ (44,608)	\$ (9,745)	\$ 51,979
Loss (gain) on derivative at fair value	(19,090)	(48,531)	(14,646)	48,641
(Income)/loss per share (basic and diluted) (restated for 2021)	(0.06)	(0.16)	(0.04)	0.19
Total assets (restated for 2021)	131,056	138,663	147,361	151,260
	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Net (income)/loss for the period (restated for 2021)	\$ (2,492)	\$ 14,030	\$ 6,135	\$ 17,489
Loss (gain) on derivative at fair value	(5,621)	11,031	2,158	15,720
(Income)/loss per share (basic and diluted) (restated for 2021)	(0.01)	0.05	0.02	0.07
Total assets (restated for 2021)	147,706	150,790	149,362	131,877

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 ramp-up phase. The volatility in market factors is impacted by both the COVID-19 pandemic and the subsequent recovery in economic activity which caused significant fluctuations in the valuation of the copper stream derivative and consequently net (income)/loss. The net income for

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the quarter-ended September 30, 2022 of \$15,925 included a non-cash gain of \$19,090 on revaluation of the copper stream derivative liability, share purchase warrants, and investment shares.

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable future trends. The Company was in the construction phase, the start-up and commissioning phase, then into care and maintenance due to COVID-19, and once again into ramp-up, followed by limited wellfield operations, resulting in lower than expected revenues in each of the last eight quarters.

REVIEW OF FINANCIAL RESULTS

Three months ended September 30, 2022 compared to the three months ended September 30, 2021:

For the three-months ended September 30, 2022 the Company's net income was \$15,925 (\$0.06 per share) compared to net income of \$2,492 (\$0.01 per share) for the three-months ended September 30, 2021. The net income for the three-month period ended September 30, 2022 as compared to the net income for the same period of 2021 resulted primarily from a non-cash gain of \$19,090 for the three-month period of 2022 and a non-cash gain of \$5,621 for the three-month period of 2021, both of which resulted from the change in fair value of the copper stream derivative liability plus the change in fair value in the share purchase warrants. Excluding the (gain)/loss from the derivative liability, the net loss was \$3,165 for the three-month period of 2022 compared to a net loss of \$3,129 for the three-month period of 2021, primarily due to the loss from mine operations.

A comparison of the costs in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the three-months ended September 30, 2022 and 2021 follows:

For the three-months ended September 30, 2022 the Company incurred a net loss from mine operations of \$1,858 compared to a net loss from mine operations of \$1,759 in the same period in 2021. In accordance with the application of the IAS 16 Amendments, which became effective for reporting periods beginning January 1, 2022, the costs previously capitalized for mining operations are now being expensed and 2021 has been restated to show the effect of the amendments.

For the three-months ended September 30, 2022 evaluation and permitting expenses totaled \$56 (2021 - \$337). The costs for both periods represent ongoing exploration, and environmental and permitting compliance costs. Costs were higher in the 2021 period due to increased core sampling activities.

Office and administration expenses for the three-months ended September 30, 2022 were \$186 compared to \$137 during the same period of the prior year. These costs represent corporate management costs and administrative support costs for the Gunnison Project and JCM. Amounts were higher in the current period primarily due to outside services.

Professional fees for the three-months ended September 30, 2022 were \$145 compared to \$160 during the same period of the prior year. The costs were higher in the 2021 three-month period due to legal fees.

Directors' and officers' fees incurred during the three-months ended September 30, 2022, were \$561 compared to \$479 during the same period of the prior year. Amounts were higher in the current period primarily due to higher director's fees.

Investor relations expenses during the three-months ended September 30, 2022, were \$34 compared to \$85 during the same period of the prior year, representing a decrease of \$51. Higher investor relations fees for the prior period resulted from an increase in promotional activities.

During the three-months ended September 30, 2022, the Company recovered share-based compensation expense of (\$262) (2021 - \$41). The increase in non-cash share-based compensation expense of \$303 is the result of revaluation of Restricted Shares.

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Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the three-months ended September 30, 2022 and 2021 are described below:

The copper stream derivative liability is recorded at fair value at each period end using a Monte Carlo simulation valuation model. The key inputs used by the model in generating future copper revenue for purposes of valuing the stream obligation at September 30, 2022 include: the copper forward price curve (based on COMEX futures), long-term copper volatility of 26.13%, a discount rate which factors in the Company's credit spread of 9.99% and the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes. During the three-months ended September 30, 2022, the non-cash gain of \$18,952 from revaluation of the copper stream derivative liability was primarily driven by the one year delay (push out) of copper production. In addition, there was a non-cash gain of \$16 from revaluation of the Triple Flag share purchase warrants, non-cash gain of \$129 from the expiration of certain share purchase warrants, and a non-cash loss of \$7 from the revaluation of the investment shares. This resulted in a net gain due to revaluation of the derivative liabilities in the amount of \$19,090.

During the three-months ended September 30, 2022, the Company incurred financing expenses of \$786 compared to \$104 during the same period of the prior year, representing an increase of \$682. The increase is mainly due to Nebari interest being expensed in the third quarter of 2022.

Other income of \$268 represents sales of waste rock material from JCM and the gain on disposal of non-core exploration properties.

Nine months ended September 30, 2022 compared to the nine months ended September 30, 2021:

For the nine-months ended September 30, 2022 the Company's net income was \$70,278 (\$0.26 per share) compared to a net loss of \$17,673 (\$0.07 per share) for the nine-months ended September 30, 2021. The net income for the nine-month period ended September 30, 2022 as compared to the same period of 2021 resulted primarily from a non-cash gain of \$82,267 in 2022 compared to a non-cash loss of \$7,568 in the same period for 2021 arising from the change in fair value of the copper stream derivative liability.

Significant changes in the "Expenses" categories listed in the condensed consolidated interim statements of loss and comprehensive loss for the nine-months ended September 30, 2022 and 2021 are described below:

For the nine-months ended September 30, 2022 evaluation and permitting expenses incurred for ongoing exploration amounted to \$2,152 (2021 - \$882). The increased costs in the nine-month period of 2022 compared to the same period in 2021 was primarily due to exploration activities related to advancing the development of the Johnson Camp Mine pits.

Office and administration costs for the nine-months ended September 30, 2022 are \$490 compared to \$531 during the same period of the prior year. The decrease of \$41 in 2022 was primarily due to legal fees incurred in 2021.

Professional fees for the nine-months ended September 30, 2022 are \$481 compared to \$583 during the same period of the prior year. The decrease of \$102 was primarily due to consulting services.

During the nine-months ended September 30, 2022, the Company incurred share-based compensation expenses of \$59 compared to \$727 for the same period in 2021. See the explanation from the three-month comparison.

Regulatory fees incurred during the nine-months ended September 30, 2022 were \$66 compared to \$110 during the same period of the prior year. The decrease of \$44 was primarily due to costs associated with the "bought deal" offering in 2021.

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Significant changes in the "Other Items" listed in the condensed consolidated interim statements of loss and comprehensive loss for the nine-months ended September 30, 2022 and 2021 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 3-month discussion above for the variables that are used in the period-end valuation. During the nine-months ended September 30, 2022, the non-cash gain of \$82,267 for revaluation of derivative liabilities was primarily driven by the delay of the copper production schedule.

During the nine-months ended September 30, 2022, the Company incurred financing expenses of \$1,116 compared to \$225 during the same period of the prior year, representing an increase of \$891. The increase is mainly due to the increase in accretion expense for the ARO liability and the Nebari interest being expensed in the third quarter of 2022.

Other (income) for the nine-month period of 2022 was (\$514) compared to income of (\$545) during the same period of 2021, representing a decrease of \$31. The decrease in income was primarily due to there being (\$181) in scrap sales in 2021, offset by the sale of non-core exploration properties in 2022.

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 "Offering"). The net proceeds of the Offering was US\$23,163,058. As of September 30, 2022, the Company has fully expended the net proceeds from this "bought deal" financing as follows:

<u>Activity or Nature of Expenditure</u>	<u>Initial Estimated use of Net Proceeds (\$)</u>	<u>Approximate Actual use of Net Proceeds (\$)</u>
General Working Capital	16,663,058 ⁽¹⁾	21,643,071
Sustaining Capital	6,500,000	1,519,987
Total	23,163,058	23,163,058

⁽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 \$8,380 as of September 30, 2022 (December 31, 2021 - \$20,854). Cash and cash equivalents decreased \$12,474 during the nine months ended September 30, 2022 compared to an increase of \$10,846 for the same period in 2021. The increase in the 2021 period was due to the Offering.

Net cash used in operating activities for the nine-months ended September 30, 2022 was \$11,193 compared to \$10,356 for the same period of 2021.

Net cash used by investing activities for the nine-months ended September 30, 2022 was \$1,073 compared to net cash used of \$1,660 for the same period of 2021. The amounts are mainly Nebari financing interest which in the first half of 2022 was capitalized to Mineral properties.

Net cash used by financing activities for the nine-months ended September 30, 2022 was \$200 compared to net cash provided of \$22,831 for the nine-month period of 2021. The "bought deal" financing was the main contributor to the cash provided in 2021.

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The Company had a negative working capital of (\$6,601) at September 30, 2022 (December 31, 2021 – \$18,600). The decrease in working capital for the current period primarily resulted from the use of cash during the period of \$12,474 and the Nebari debt becoming current.

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. Nebari also offered an additional \$15 million loan, available in three tranches, subject to Nebari completing satisfactory due diligence on the JCM Pit restart and plans for and actual production improvements on the existing wellfield. The availability period for the first \$5 million tranche (fourth tranche) of this additional loan was to end on June 30, 2022, however, on May 31, 2022 Nebari extended the availability of the fourth tranche to December 31, 2022.

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"). Under the amendment the Leverage Ratio Grace Period may be further extended to July 31, 2024, subject to certain conditions, in the event that Nebari advances additional funds to the Company.

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 draw down the additional amounts available under the ARCA or obtain the necessary financing in 2023 and beyond to enable it to continue in operation and to advance its projects to production.

As of September 30, 2022, the Company does not have any pre-arranged sources of financing except for the additional funding potentially available under the ARCA.

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STATEMENT OF FINANCIAL POSITION INFORMATION

The following is a summary of the Company's interim financial position at September 30, 2022 compared to the annual statement of financial position at December 31, 2021.

	As at	As at
	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 8,380	\$ 20,854
Marketable Securities	22	-
Receivables (current and long-term)	345	341
Prepaid expenses	542	1,020
Inventory	1,930	1,815
Property, plant and equipment, net	116,526	123,919
Restricted cash	3,311	3,311
Total Assets	\$ 131,056	\$ 151,260
	As at	As at
	September 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	\$ 1,286	\$ 1,587
Amounts due to related parties	135	109
Lease liabilities (current and long-term)	423	491
Insurance premium financing	382	582
Restricted share units	119	258
Derivative liability (current and long-term)	69,085	151,358
Debt (current and long-term)	15,391	15,351
Asset retirement obligation	17,174	24,960
Capital stock	108,045	108,045
Other equity reserves	12,414	12,195
Deficit	(92,569)	(162,847)
Accumulated other comprehensive loss	(829)	(829)
Total Liabilities and Equity	\$ 131,056	\$ 151,260

Assets

Cash and cash equivalents decreased by \$12,474 during the nine-months ended September 30, 2022 as previously discussed in "Liquidity and Capital Resources" above.

Marketable Securities increased by \$22 during the nine-months ended September 30, 2022 due to the shares received from the sale of non-core exploration properties.

Prepaid expenses decreased \$478 during the nine-months ended September 30, 2022 primarily due to the amortization of the financing of insurance policies.

Liabilities

Insurance premium financing decreased \$200 during the nine-months ended June 30, 2022 due to payments made on the insurance financing.

Restricted share units decreased \$139 due to the revaluation of RSUs at September 30, 2022.

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Derivative liability of \$69,085 at September 30, 2022 consists of the fair value of the Triple Flag copper stream and warrants.

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:

<u>Security Description</u>	<u>September 30, 2022</u>	<u>Date of report</u>
Common Shares	274,835,944	274,835,944
Stock options	17,735,000	17,735,000
Restricted share units	1,823,400	1,823,400
Warrants	3,500,000	3,500,000

There were 537,234 stock options which expired and 275,000 stock options were forfeited in the first three quarters of 2022.

Contractual Obligations

The Company has the following contractual obligations as of September 30, 2022:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Less than</u>			<u>After</u>
		<u>1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>5 years</u>
Accounts Payable and accrued liabilities	\$ 1,286	\$ 1,286	\$ -	\$ -	\$ -
Lease Liabilities	423	98	306	19	-
Asset Retirement Obligation ^[1]	17,174	-	-	-	17,174
Total Contractual Obligations	<u>\$ 18,883</u>	<u>\$ 1,384</u>	<u>\$ 306</u>	<u>\$ 19</u>	<u>\$ 17,174</u>

^[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:

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries, fees and benefits	\$ 1,533	\$ 1,485
Share-based compensation	400	678
Total	<u>\$ 1,933</u>	<u>\$ 2,163</u>

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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, who resigned as a director of the Company March 18, 2022, 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. The fees for such services were made on terms equivalent to those that King & Bay charges to arm's length parties.

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

	Nine Months Ended September 30,	
	2022	2021
King & Bay	\$ 40	\$ 138
Kinley	95	100
Total	<u>\$ 135</u>	<u>\$ 238</u>

As of September 30, 2022 amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - \$135 (December 31, 2021 - \$95)
- King & Bay - \$ 0 (December 31, 2021 - \$14)

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2021 except for the adoption of the IAS 16 Amendments. The impact of applying the IAS 16 Amendments to the comparative period is shown in the table below. A summary of the Company's significant accounting policies is provided in Note 3 to the audited consolidated financial statements for the years 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 years ended December 31, 2021 and 2020.

In May 2020, the International Accounting Standards Board ("IASB") issued amendments to IAS 16 – Property, Plant and Equipment ("IAS 16"). The amendments introduced 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.

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The Company applied these amendments beginning January 1, 2022. The amendments are being applied retrospectively to the comparative 2021 period presented. The Company recorded the following adjustments to specific account balances, increasing (decreasing) amounts previously recognized in the annual and interim consolidated financial statements.

Consolidated Balance Sheet

	Previously reported	Policy change adjustment	As at December 31, 2021 restated balance
Inventory	\$ 1,250	\$ 565	\$ 1,815
Property, plant and equipment	133,132	(9,213)	123,919
Other Assets	25,526	-	25,526
Total Assets	\$ 159,908	\$ (8,648)	\$ 151,260
Total Liabilities	\$ 194,696	\$ -	\$ 194,696
Total Equity	(34,788)	(8,648)	(43,436)
Total Liabilities and Equity	\$ 159,908	\$ (8,648)	\$ 151,260

Consolidated Income Statement

	Previously reported	Policy change adjustment	Three months ended September 30, 2021 restated balance	Previously reported	Policy change adjustment	Nine months ended September 30, 2021 restated balance
Revenue						
Revenue	\$ -	\$ (1,695)	\$ (1,695)	\$ -	\$ (3,250)	\$ (3,250)
Cost of sales	-	3,454	3,454	-	9,781	9,781
Loss from mine operations	\$ -	\$ 1,759	\$ 1,759	\$ -	\$ 6,531	\$ 6,531
Operating Expenses						
JCM cost	\$ 21	\$ (21)	-	\$ 41	\$ (41)	-
Depreciation	173	(38)	135	465	(113)	352
Other operating expenses	1,247	-	1,247	4,677	-	4,677
Total Operating Expenses	\$ 1,441	\$ (59)	\$ 1,382	\$ 5,183	\$ (154)	\$ 5,029
Total Other Items	\$ (5,633)	\$ -	\$ (5,633)	\$ 6,113	\$ -	\$ 6,113
(Income) loss and comprehensive (income) loss for the period	\$ (4,192)	\$ 1,700	\$ (2,492)	\$ 11,296	\$ 6,377	\$ 17,673
(Earnings) loss per common share:						
Basic	\$ (0.02)	\$ 0.01	\$ (0.01)	\$ 0.04	\$ 0.03	\$ 0.07
Diluted	\$ (0.02)	\$ 0.01	\$ (0.01)	\$ 0.04	\$ 0.03	\$ 0.07

Consolidated Cash Flow

	Previously reported	Policy change adjustment	Nine months ended September 30, 2021 restated balance
Net cash used by operating activities	\$ (3,175)	\$ (7,181)	\$ (10,356)
Net cash used by investing activities	\$ (8,869)	\$ 7,209	\$ (1,660)
Net cash provided by financing activities	\$ 22,859	\$ (28)	\$ 22,831

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

Inventory

In-process inventory represents copper in solution that has been extracted from the wellfield and captured in the processing ponds and plant and is currently being converted to copper cathode, the final saleable product. Finished goods inventory is copper cathode that has not yet been sold to the offtaker.

The Company's inventories are measured at the lower of cost or net realizable value and reflect the copper content in the production process including in-process inventory and finished goods inventory.

Revenue

The Company's revenue mainly consists of processing and delivering of copper cathode. The Company follows IFRS 15 - *Revenue from Contracts with Customers* ("*IFRS 15*") to recognize revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer.

Copper cathode revenue is recognized when control is transferred to the customer. The transfer of control occurs when the copper cathode has been assayed, readied for shipment and then loaded onto the means of transport arranged by the customer.

The provisional sales price of Grade 1 copper cathode is determined based on the last known 1st position HG Copper COMEX settlement price at the time of transfer of control. The final sales price of copper cathode is the average HG Copper COMEX settlement price for the month of sale.

Financial assets

Management determines the appropriate classification of financial instruments at the time of the purchase and evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified. The Company's investments are categorized as:

- *Financial instruments at fair value through profit or loss* – These include financial instruments designated at fair value through profit or loss at inception and those designated as held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling or repurchasing it in the short term or if so designated by management.

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 September 30, 2022, the Company's risk exposures and the impact on the Company's financial instruments are summarized below.

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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 \$5,349, whereas a 1% decrease in the interest rate would increase the value of the stream liability by \$7,586.

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 \$8,777, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by \$6,797.

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.

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As of September 30, 2022, the Company has cash and cash equivalents of \$8,380 to settle current liabilities of \$17,759. Included in the current liabilities is a non-cash amount of \$348 related to the derivative liabilities. Refer to the discussion under "Description of Business and Going Concern"

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 September 30, 2022	Carrying value	Fair Value		
	FVTPL	Level 1	Level 2	Level 3
Financial Liabilities				
Marketable Securities	\$ 22	\$ 22	\$ -	\$ -
Restricted share units	119	-	119	-
Debt	15,391	-	-	15,391
Derivative liabilities	69,085	6	-	69,079
	<u>\$ 84,617</u>	<u>\$ 28</u>	<u>\$ 119</u>	<u>\$ 84,470</u>

LEGAL

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.

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On September 1, 2022, the British Columbia Supreme Court granted the application by the Company to strike MM Fund's certification application and further ordered MM Fund to remove all pleadings relating to advancing a class proceeding against the Company. The Company was awarded its costs of the application in any event of the cause. MM Fund's action may continue as an individual claim; however, subject to appeal, MM Fund has been found to be incapable advancing the action as a class proceeding. Subsequently on September 26, 2022, MM Fund appealed this ruling to the British Columbia Supreme Court.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and the Interim 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.

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. During the three months ended March 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 Interim 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, 2020, 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 and JCM can be found in the technical report filed on SEDAR at www.sedar.com entitled: "Gunnison Copper Project Prefeasibility Study Update and JCM Heap Leach Preliminary Economic Assessment", dated effective March 11, 2022.

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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 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, Johnson Camp and Strong & Harris, including mine life, total tonnes mined and processed and mining operations; (v) the future effects of environmental compliance requirements on the business of the Company; and (vi) the statements under the heading "Outlook" in this MD&A, including statements about the production of copper.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information contained in this MD&A is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, expectations and anticipated impact of the COVID-19 outbreak, the realization of mineral resource and reserve estimates, copper and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of expansion and sustaining capital requirements, the estimation of labor and operating costs, the availability of necessary financing and materials to continue to develop, operate and expand the Gunnison Project in the short and long-term, the progress of development activities, the receipt of and compliance with necessary regulatory approvals and permits, the estimation of insurance coverage, and assumptions with respect to currency fluctuations, environmental risks, title or surface rights disputes or claims, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information including, without limitation, the following risks and uncertainties referred to under the heading "Risk Factors" in the Company's AIF for the year ended December 31, 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 achieve forecasted production rates 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;

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- risks related to general economic conditions and in particular the potential impact of the COVID-19 pandemic on the Company or its operations and the mining industry;
- the fact that we have no mineral properties in commercial production and no history of production or revenue;
- risks relating to variations in mineral resources and reserves, grade or recovery rates resulting from current exploration and development activities;
- risks related to fluctuations in the price of copper as the Company's future revenues, if any, are expected to be derived from the sale of copper;
- risks related to a reduction in the demand for copper in the Chinese market which could result in an extended period of lower prices and demand for copper;
- financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the development and construction activities at the Gunnison Project may not be available on satisfactory terms, or at all;
- the Company has no history of mining operations and no revenues from operations and expects to incur losses for the foreseeable future;
- risks associated with secured debt and the copper stream agreement;
- risks related to the Company obtaining and maintaining various permits required to conduct its current and anticipated future operations;
- risks related to disputes concerning property titles and interest;
- risks relating to the ability to access infrastructure;
- risks related to the significant governmental regulation to which the Company is subject;
- environmental risks;
- climate change risks;
- risks related to the adequacy of financial assurance arrangements with State and Federal Governments;
- reliance on key personnel;
- risks related to increased competition in the market for copper and related products and in the mining industry generally;
- cybersecurity risks;
- risks related to potential conflicts of interests among the Company's directors and officers;
- exchange rate fluctuations between the Canadian and United States dollar;
- uncertainties inherent in the estimation of inferred mineral resources;
- land reclamation requirements may be burdensome;
- risks associated with the acquisition of any new properties;
- risks related to legal proceedings to which the Company may become subject;
- potential liabilities associated with the acquisition of Johnson Camp;
- our ability to comply with foreign corrupt practices regulations and anti-bribery laws;
- changes to relevant legislation, accounting practices or increasing insurance costs;
- significant growth could place a strain on our management systems;
- share ownership by our significant shareholders and their ability to influence our governance; and
- risks relating to the Company's Common Shares, including that future sales or issuances of our debt or equity securities may decrease the price of our securities.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking information is made as of the date of this MD&A.

RISK FACTORS

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

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

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

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

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

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