



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in US Dollars)

March 28, 2018

Independent Auditor's Report

To the Shareholders of Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and the related notes, which comprise the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers LLP

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

Vancouver, British Columbia

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in US Dollars)

	Note	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 16,677,002	\$ 11,622,701
Prepaid expenses		21,384	84,867
Receivables		70,735	75,940
		<u>16,769,121</u>	<u>11,783,508</u>
Property, plant and equipment	3	17,859,495	13,124,045
Long term deposits	4	222,790	222,790
		<u>\$ 34,851,406</u>	<u>\$ 25,130,343</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 473,117	\$ 610,130
Amounts due to related parties	7	53,959	42,900
Deferred consideration	3	-	2,200,000
		<u>527,076</u>	<u>2,853,030</u>
Asset retirement obligation	5	9,179,928	4,300,834
		<u>9,707,004</u>	<u>7,153,864</u>
Equity			
Capital stock	6	57,210,709	40,889,361
Other equity reserves	6	5,678,311	5,337,733
Deficit		(36,915,622)	(27,421,619)
Accumulated other comprehensive loss		(828,996)	(828,996)
		<u>25,144,402</u>	<u>17,976,479</u>
		<u>\$ 34,851,406</u>	<u>\$ 25,130,343</u>
Commitments	12		
Subsequent Events	13		

Approved on March 27, 2018 on behalf of the Board of Directors:

<u>"Steven Lynn"</u>	Director	<u>"Jay Sujir"</u>	Director
Steven Lynn		Jay Sujir	

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

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

	Note	2017	2016
Johnson Camp holding and maintenance cost		\$ 2,749,495	\$ 3,288,352
Project development		2,002,832	-
Exploration and evaluation		1,042,079	2,647,835
Office and administration		962,041	816,159
Professional fees		897,631	298,977
Directors' and officers' fees	7	847,403	767,663
Investor relations		422,397	324,304
Share-based compensation	6	364,561	94,137
Regulatory fees		214,760	101,656
Depreciation		131,826	98,159
Gain on sale of royalty	3	-	(3,976,531)
Other items			
Net financing (income)/costs		109,133	249,506
Foreign exchange (gain)/loss		(7,899)	3,298
Gain on disposal of assets		-	(302,003)
Other income		(242,256)	(121,384)
Loss and comprehensive loss for the year		\$ 9,494,003	4,290,128
Loss per common share:			
Basic and diluted		\$ (0.06)	\$ (0.03)
Weighted average number of common shares outstanding:			
Basic and diluted		168,111,425	141,472,091

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

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (9,494,003)	\$ (4,290,128)
Items not affecting cash:		
Gain on sale of royalty	-	(3,976,531)
Depreciation	131,826	98,159
Accretion	117,827	82,828
Share-based compensation	364,561	94,137
Unrealized (gain)/loss on foreign exchange	(7,899)	3,298
Loss on asset disposal	-	5,251
Non-cash working capital item changes:		
Receivables	5,205	691,165
Amounts due to related parties	11,059	(65,895)
Prepaid expenses	63,483	28,488
Accounts payable and accrued liabilities	(137,013)	(240,067)
Net cash used in operating activities	(8,944,954)	(7,569,295)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(106,009)	(52,428)
Royalty option payment received	-	4,000,000
Royalty issuance costs	-	(23,469)
Johnson Camp Mine acquisition	(2,200,000)	(1,000,000)
Net cash (used)/provided by investing activities	(2,306,009)	2,924,103
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	17,404,412	10,000,000
Share issuance costs	(1,190,308)	(58,673)
Proceeds from stock option exercises	83,261	23,184
Net cash provided by financing activities	16,297,365	9,964,511
Net increase in cash and cash equivalents	5,046,402	5,319,319
Effect of foreign exchange on cash and cash equivalents	7,899	(3,298)
Cash and cash equivalents, beginning of the year	11,622,701	6,306,680
Cash and cash equivalents, end of the year	\$ 16,677,002	\$ 11,622,701
Cash and cash equivalents consist of:		
Cash	\$ 16,677,002	\$ 11,622,701
Interest paid	66,000	96,000

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, 2017 AND 2016
(Expressed in US Dollars)

	<u>Capital Stock</u>						
	<u>Number of Common Shares</u>						
	Voting	Amount		Other Equity Reserves (Note 6)	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2015	138,403,924	\$ 30,924,103	\$	5,244,344	\$ (23,131,491)	(828,996)	\$ 12,207,960
Stock option exercises	100,000	23,932		(748)	-	-	23,184
Private Placement	28,860,028	10,000,000		-	-	-	10,000,000
Share Issue cost - cash	-	(58,674)		-	-	-	(58,674)
Share-based compensation	-	-		94,137	-	-	94,137
Loss for the year	-	-		-	(4,290,128)	-	(4,290,128)
Balance, December 31, 2016	167,363,952	\$ 40,889,361	\$	5,337,733	\$ (27,421,619)	(828,996)	\$ 17,976,479
Balance, December 31, 2016	167,363,952	\$ 40,889,361	\$	5,337,733	\$ (27,421,619)	(828,996)	\$ 17,976,479
Stock option exercises	350,000	107,244		(23,983)	-	-	83,261
Private Placement	22,168,000	17,404,412		-	-	-	17,404,412
Share Issue cost - cash	-	(1,190,308)		-	-	-	(1,190,308)
Share-based compensation	-	-		364,561	-	-	364,561
Loss for the year	-	-		-	(9,494,003)	-	(9,494,003)
Balance, December 31, 2017	189,881,952	\$ 57,210,709	\$	5,678,311	\$ (36,915,622)	(828,996)	\$ 25,144,402

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

1. NATURE OF OPERATIONS

Excelsior Mining Corp. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and was classified as a Tier 1 issuer on the TSX Venture Exchange. On February 2, 2017, the Company commenced trading on the Toronto Stock Exchange and de-listed from the TSX Venture Exchange and continues to trade under the symbol “MIN”. The address of the Company’s registered office is #1240 - 1140 West Pender Street, Vancouver, BC, Canada V6E 4G1.

The Company is currently proceeding with permitting activities relating to the Gunnison Project as scheduled, continues to fund the care and maintenance and holding costs of the Johnson Camp Mine and is preparing for the beginning of the Gunnison Project construction activities. On December 21, 2017, the Company closed the first tranche of its non-brokered private placement (the “2017 Private Placement”) as discussed in note 3 of these consolidated financial statements and received gross proceeds of \$17.4 million, subsequently on January 19, 2018, the Company closed the second tranche of its 2017 Private Placement as discussed in note 13 of these consolidated financial statements and received gross proceeds of \$12.8 million. With the 2017 Private Placement the Company has sufficient funds to meet its estimated corporate costs, costs associated with advancement of the Gunnison Project and permitting and Johnson Camp Mine care and costs related to the beginning of the Gunnison Project construction activities for at least the next twelve months.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

a. Statement of Compliance

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

b. Basis of Measurement

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

All financial information in these consolidated financial statements is presented in United States dollars (“USD” or “US dollars”), unless otherwise stated. References to CAD are to Canadian dollars (“CAD”).

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

c. 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 Company's subsidiaries are as follows:

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

d. Critical Accounting Estimates and Judgments

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

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern status of the Company and whether going concern disclosure is necessary.

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:

Useful Life of Equipment

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

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

d. Critical Accounting Estimates and Judgments (cont'd...)

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.

e. Cash and cash equivalents

The Company considers highly liquid short-term investments with an initial maturity of three months or less to be cash and cash equivalents.

f. Financial Instruments

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

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

"Loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest rate method.

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

Asset or Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Long term deposits	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Amounts due to related parties	Other liabilities	Amortized cost
Deferred consideration	Other liabilities	Amortized cost

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

g. Equipment

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

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

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. 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.

h. Exploration and Evaluation Assets

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

Any option payments or proceeds from the sale of royalty interests received by the Company are credited to the capitalized cost of the related exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to mineral property development costs within mineral properties, plant and equipment and are carried at cost until the properties to which the expenditures related 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.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral property development costs.

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

i. Income Taxes

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

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; 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 asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of enactment or substantive enactment of change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

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

j. Foreign Currency Translation

Items included in the financial statements of the Company and its wholly-owned subsidiaries, Excelsior Arizona, and Excelsior JCM, 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 USD.

Transactions and Balances

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.

k. Loss Per Share

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

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

l. Share-Based Payment Transactions

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

The Company recognizes the fair value of all warrants issued, recording the amount as an expense in the period, an addition to a related asset, or a cost of issue of shares, as appropriate. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. Warrants that are equity instruments are not remeasured subsequent to grant unless the terms and conditions of the warrants are modified.

m. 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 to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future 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 its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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.

n. Asset Retirement Obligations ("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 long-term 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 charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted costs. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

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

o. New Accounting Pronouncements

The Company has not adopted or applied any new or recently issued accounting pronouncements during the preparation of the consolidated financial statements for the year ended December 31, 2017. The Company continues to evaluate the impacts of the recently issued, but not yet effective, accounting pronouncements discussed below:

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (“IFRS 9”) which will replace IAS 39, Financial Instruments (“IAS 39”). This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial asset with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management.

IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, The Company does not expect any significant impact on its statements of financial position from the adoption of this standard.

IFRS 16, Leases

On January 13, 2016, the IASB issued IFRS 16, according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of this standard.

EXCELSIOR MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Expressed in US Dollars)

3. PROPERTY, PLANT AND EQUIPMENT

Details are as follows:

	Plant	Land	Vehicles & Mobile Equipment	Computer, Software & Other Equip.	Total
Cost					
At January 1, 2016	11,898,931	93,798	125,943	346,019	12,464,691
Additions	42,461	-	-	9,967	52,428
ARO Change in Estimate	918,954	-	-	-	918,954
Disposals	-	-	(10,503)	-	(10,503)
At December 31, 2016	12,860,346	93,798	115,440	355,986	13,425,570
Accumulated Depreciation					
At January 1, 2016	-	-	-	(208,618)	(208,618)
Depreciation	-	-	(62,972)	(35,187)	(98,159)
Disposals	-	-	5,252	-	5,252
At December 31, 2016	-	-	(57,720)	(243,805)	(301,525)
Net carrying amount	12,860,346	93,798	57,720	112,181	13,124,045
Cost					
At January 1, 2017	12,860,346	93,798	115,440	355,986	13,425,570
Additions	74,102	-	-	31,907	106,009
ARO Change in Estimate	4,761,267	-	-	-	4,761,267
At December 31, 2017	17,695,715	93,798	115,440	387,893	18,292,846
Accumulated Depreciation					
At January 1, 2017	-	-	(57,720)	(243,805)	(301,525)
Depreciation	(47,964)	-	(57,720)	(26,142)	(131,826)
At December 31, 2017	(47,964)	-	(115,440)	(269,947)	(433,351)
Net carrying amount	17,647,751	93,798	0	117,946	17,859,495

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

Johnson Camp Mine ("JCM")

On October 8, 2015, the Company entered into a definitive Asset Purchase Agreement (the "Purchase Agreement") to acquire all of the assets of Nord Resources Corporation ("Nord"), as they relate to the Johnson Camp Mine (the "Johnson Camp Transaction"). Under the terms of the Purchase Agreement, the Company agreed to acquire, through the court-appointed receiver (the "Receiver"), the Johnson Camp Mine including all fee title property, all patented and unpatented mining claims, all improvements, equipment, certificates of deposit, reports and records. The Company agreed to acquire the assets and certain liabilities of Nord's Johnson Camp for total consideration of \$8.4 million under the following terms:

- \$5.2 million due on or prior to closing ("Initial Payment");
- \$1.0 million due on or before December 31, 2016 ("First Instalment"); and
- \$2.2 million due on or before December 31, 2017 ("Final Instalment").

The closing date of the transaction was December 14, 2015.

As at December 31, 2017, the Company has paid the Initial, First and Final Instalments totaling \$8.4 million. All of the Company's JCM acquisition obligations related to the secured interest bearing promissory note have been met.

Share Purchase and Royalty Agreement

On July 19, 2013, the Company entered into a Share Purchase and Royalty Option Agreement (the "Callinan Agreement") with Callinan Royalties Corporation ("Callinan"), now a wholly-owned subsidiary of Altius Minerals Corporation. Under the terms of the Callinan Agreement, Callinan was to invest CAD\$1,000,000 in the Company by way of a non-brokered private placement and up to a further CAD\$21,000,000 through the purchase of a staged gross revenue royalty ("GRR") on the Gunnison Project.

Under the terms of the Callinan Agreement, Callinan made an initial investment as follows:

- Purchased 6,250,000 common shares of the Company at a price of CAD\$0.16 per common share for aggregate consideration of CAD\$1,000,000 (cash received and common shares issued on July 31, 2013); and
- Concurrently paid CAD\$2,000,000 to the Company in exchange for a 0.5% GRR (the "Initial GRR").

On July 29, 2014, Callinan exercised its first royalty option under the Callinan Agreement. As a result Callinan paid the Company CAD\$3,000,000 in return for an additional 0.5% GRR on the Gunnison Project. Combined with the initial GRR that Callinan acquired in July 2013, Callinan holds a 1.0% GRR on the Gunnison Project.

Callinan also had the option to acquire additional GRR on the Gunnison Project based on development milestones and a construction option, as detailed below.

Development Milestones

1% of the additional GRR was staged and based upon the Company meeting specific development milestones. By the second quarter of 2016, the Company had achieved both development milestones, however Callinan did not exercise its option to acquire the associated additional GRR. As a result, there are no royalty options associated with the development milestones that are remaining.

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

Construction Option

The construction option gives Callinan the right to buy up to a 1% GRR for CAD\$10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One half (0.5%) of the construction option has vested, while one half (0.5%) of the construction option can no longer vest as a result of Callinan not exercising its options to acquire additional GRR based on the two aforementioned development milestones. Therefore, the construction option has been reduced to 0.5% GRR for CAD\$5,000,000. The exercise price of the construction option may be adjusted if the final design capacity of the plant is lower than 80 million pounds of copper per year.

2016 Private Placement

On September 29, 2016 the Company entered into a subscription agreement for a financing, with an affiliate of Greenstone, Resources L.P. ("Greenstone") for total gross proceeds of \$14.0 million. The financing consisted of a private placement of common shares (the "2016 Private Placement") at CDN\$0.45 per share for gross proceeds of \$10.0 million and the sale of a 1% gross revenue royalty on the Gunnison Copper Project (the "Royalty Financing") for gross proceeds of \$4.0 million. Settlement occurred in United States dollars and the 28,860,028 common shares issued was determined based on a CDN\$/US\$ exchange rate of CDN\$1.00 being equal to \$0.77.

The 2016 Private Placement and the Royalty Financing closed on November 23, 2016 and the Company received gross proceeds of \$14.0 million from Greenstone.

2017 Private Placement

On December 21, 2017 the Company closed the first tranche of its non-brokered 2017 Private Placement and the Company issued 22,168,000 common shares at a price of C\$1.00 per common share for gross proceeds of C\$22,168,000 (approximately US\$17.4 million).

The second and final tranche of the Offering consists of an additional 16,467,200 common shares at a price of C\$1.00 for gross proceeds of C\$16,467,200 (approximately US\$12.8 million). The second tranche is contracted to be subscribed for by an affiliate of Greenstone and was scheduled to close in the first half of January 2018 after customary closing conditions are satisfied (Note 13).

As a result of the first tranche of the 2017 Private Placement the Company recorded an increase to Capital Stock of \$16,214,104 and the Company recorded an increase to Capital Stock of \$9,941,326 and a gain on the sale of royalty of \$3,976,531 for the 2016 Private Placement and Royalty Financing.

4. LONG TERM DEPOSITS

During the year ended December 31, 2015 and as part of the completion of the Johnson Camp Transaction, the Company obtained \$556,976 in surety bonds which were required by an Arizona State government agency and an Arizona based electric cooperative. In 2015 the Company funded \$222,790 of cash collateral into a trust account for the related surety bond and represents the long-term deposit.

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5. ASSET RETIREMENT OBLIGATION

As part of its acquisition of the Johnson Camp assets, the Company assumed all of the associated environmental permits of JCM. These permits require the completion of certain reclamation and closure obligations, which were recorded as a long-term asset retirement obligation and as at December 31, 2016 these obligations had an estimated present value of \$4,300,834. The increase in the asset retirement obligation of \$1,001,782 for the year ended December 31, 2016 was due to a change in the estimated liability of \$918,954 primarily related to an increase in the estimated inflation rate from 0.70% to 2.07%. In addition, there was \$82,828 of accretion expense related to the ARO for the year ended December 31, 2016.

As a part of the Companies process of revising and updating of the JCM operating and reclamation permits, during the fourth quarter of 2017, the Company performed a more detailed analysis of the estimated JCM reclamation costs resulting in an estimated present value of \$9,179,928. This estimation analysis resulted in an adjustment to the ARO liability of \$4,761,267 primarily for the reclamation of the existing shutdown JCM heap leach stockpile. The Company does not anticipate incurring any of the JCM reclamation costs until the end of the projected Gunnison Project operations. The Company recorded \$117,827 of accretion expense related to the ARO for the year ended December 31, 2017.

Reclamation activities are expected to begin on or about 30 years from the commencement date of Gunnison Project construction. The estimated undiscounted total reclamation obligation is \$11,095,400. A risk-free discount rate of 2.74% and an inflation rate of 2.11% have been used to calculate the estimated obligation at December 31, 2017.

	As at December 31, 2017		As at December 31, 2016	
Opening balance	\$	4,300,834	\$	3,299,052
Change in estimate		4,761,267		918,954
Accretion expense		117,827		82,828
Ending balance	\$	9,179,928	\$	4,300,834

6. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

The authorized share capital of the Company is comprised of an unlimited number of common shares with no par value.

The following common shares were issued during the period ended December 31, 2017:

- On December 21, 2017 the Company closed a Private Placement equity financing, issuing 22,168,000 common shares for net proceeds of \$16.2 million.
- On February 14, 2017, 100,000 stock options were exercised for gross proceeds of \$22,953.
- On September 6, 2017, 150,000 stock options were exercised for gross proceeds of \$36,694.
- On December 21, 2017, 100,000 stock options were exercised for gross proceeds of \$23,614.

Stock Options

The Company's stock option plan (the "Plan"), provides for the grant of incentive stock options to employees, consultants, officers, and directors of the Company. Currently, the number of shares authorized for issuance under the Plan is 16,486,000. Options granted under the Plan have a maximum term of ten years. The exercise price of the options shall be determined by the Board of Directors, but shall not be less than the closing price of the common shares on the last trading day proceeding the date the options are granted. The vesting terms are at the Board of Directors' discretion.

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6. CAPITAL STOCK AND OTHER EQUITY RESERVES (Cont'd...)

Stock Options (cont'd...)

The following is a summary of stock option activity for the year ended December 31, 2017 and December 31, 2016:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2015	15,536,000	\$0.21
Exercised	(100,000)	\$0.22
Forfeited	(250,000)	\$0.22
Granted	690,000	\$0.36
Outstanding, December 31, 2016	15,876,000	\$0.22
Exercised	(350,000)	\$0.23
Forfeited	(140,000)	\$0.32
Granted	1,100,000	\$0.79
Outstanding, December 31, 2017	16,486,000	\$0.26
Exercisable, December 31, 2017	10,836,000	\$0.24

As at December 31, 2017, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
2,800,000	2,800,000	\$0.25	1.00	December 31, 2018
6,486,000	6,486,000	CAD \$0.30	1.00	December 31, 2018
500,000	500,000	CAD \$0.26	1.80	October 20, 2019
250,000	250,000	CAD \$0.25	1.92	December 01, 2019
200,000	200,000	CAD \$0.30	2.64	August 19, 2020
4,500,000	-	CAD \$0.23	2.96	December 16, 2020
100,000	100,000	CAD \$0.23	2.96	December 16, 2020
200,000	150,000	CAD \$0.36	3.32	April 27, 2021
150,000	150,000	CAD \$0.52	3.86	November 10, 2021
200,000	100,000	CAD \$0.63	3.94	December 9, 2021
200,000	50,000	CAD \$0.77	4.09	January 31, 2022
200,000	50,000	CAD \$0.83	4.40	May 24, 2022
200,000	-	CAD \$1.18	4.60	August 10, 2022
200,000	-	CAD \$1.20	4.73	September, 21, 2022
300,000	-	CAD \$1.15	4.97	December 19, 2022
16,486,000	10,836,000			

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6. CAPITAL STOCK AND OTHER EQUITY RESERVES (Cont'd...)

Share-based Compensation

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. During the year ended December 31, 2017, the Company recognized share-based compensation of \$364,561 (December 31, 2016 - \$94,137).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Risk-free interest rate	1.45%	0.85%
Expected life of options	5.0 years	4.6 years
Annualized volatility	119.7 %	120.9 %
Dividend rate	0%	0%

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

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

Key Management Personnel

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

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

	Years Ended December 31,	
	2017	2016
Share-based compensation	\$ 13,913	\$ 35,038
Short-term benefits*	1,168,130	789,429
	\$ 1,182,043	\$ 824,467

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

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7. RELATED PARTY TRANSACTIONS (Cont'd...)

Other Related Parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, the Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides administrative, management, regulatory, legal, corporate development and corporate communications 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 amount set out in the table below represents amounts paid 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 and 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 set out in the table below represents amounts incurred by to Kinley for the services of Kinley personnel and for out of pocket expenses incurred by Kinley on behalf of the Company.

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

		Years Ended December 31,	
		2017	2016
King & Bay	\$	376,078	\$ 437,846
Kinley Exploration		130,500	-

As at December 31, 2017, amounts accrued and due to related parties include the following:

- King & Bay - \$44,959 (December 31, 2016 - \$26,907)
- Kinley Exploration - \$9,000 (December 31, 2016 - \$nil)
- Roland Goodgame, Executive Vice President - \$nil (December 31, 2016 - \$10,782)
- SCT Holdings Management LLC, a company controlled by the CEO - \$nil (December 31, 2016 - \$5,211)

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8. SEGMENTED INFORMATION

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

Geographical information is as follows:

	As at		As at	
	December 31, 2017		December 31, 2016	
Property, Plant and Equipment				
United States	\$	17,819,597	\$	13,112,229
Canada		39,898		11,816
	\$	17,859,495	\$	13,124,045

9. CAPITAL MANAGEMENT

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

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

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

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

10. FINANCIAL INSTRUMENTS

The carrying value of all the Company's financial instruments approximates their fair value.

As at December 31, 2017, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions some of which are interest bearing accounts. The Company's receivables consist mainly of input tax credits receivable from the Government of Canada.

Liquidity Risk

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

As at December 31, 2017, the Company has cash and cash equivalents balance of \$16,677,002 to settle current liabilities of \$527,076.

Interest Rate Risk

The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed interest rate.

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11. INCOME TAXES

The 2018 tax reform act was enacted in the United States in December 2017. This act takes effect January 1, 2018 with one of the significant changes being a reduction to the corporate income tax rate from 35% to 21%.

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

	December 31, 2017	December 31, 2016
Loss for the year	\$ (9,494,003)	\$ (4,290,128)
Combined federal and state income tax rates	38.185%	38.58%
Income tax recovery based on the above rate	\$ (3,625,285)	\$ (1,654,917)
Increase due to:		
Difference in long term state tax rate	-	16,517
Non-deductible costs	3,189	2,871
Income tax benefits not recognized	3,622,096	1,635,530
Income tax expense (recovery)	\$ -	\$ -

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

	December 31, 2017	December 31, 2016
Non-capital losses	\$ 5,108,622	\$ 4,425,537
Capital Assets	(2,214,873)	(1,618,541)
Exploration and evaluation assets	2,484,203	3,821,048
Asset retirement obligation	2,283,140	1,642,273
Other	325,033	359,823
Net deferred tax assets	\$ 7,986,125	\$ 8,630,140

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

	December 31, 2017	December 31, 2016	Expiry Date
Non-capital losses	\$ 20,540,478	\$ 11,589,727	2031 to 2037
Capital Assets	(8,905,446)	(4,238,684)	Unlimited
Exploration and evaluation assets	9,988,352	10,006,672	2038 to Unlimited
Asset retirement obligation	9,179,928	4,300,834	Unlimited
Other	1,306,877	942,316	Unlimited
Net deferred tax assets	\$ 32,110,189	\$ 22,600,865	

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

12. COMMITMENTS

The Company has the following commitments with respect to the lease of its office in Phoenix, Arizona:

Fiscal Year End	Office Lease Payments
2018	22,530
Total	\$ 22,530

13. SUBSEQUENT EVENTS

On January 19, 2018, the second tranche of the 2017 Private Placement (Note 3) was closed and resulted in the Company issuing 16,467,200 common shares at a price of C\$1.00 per common share for gross proceeds of C\$16,467,200 (approximately US\$12.8 million). The second tranche was subscribed for by an affiliate of Greenstone. The first and second tranches of the Private Placement resulted in the Company issuing 38,635,200 common shares for aggregate gross proceeds of approximately US\$30 million.