Excelsior
MINING ARIZONA, INC

January 4, 2016

Arizona Department of Environmental Quality
1110 West Washington Street
Phoenix, Arizona 85007

Attention: Director, Arizona Department of Environmental Quality

Dear Sirs:

Re: Demonstration of Financial Capability
Gunnison Copper Project
Aquifer Protection Permit Application

The purpose of this letter is to demonstrate to the Arizona Department of Environmental Quality ("ADEQ") the capability of Excelsior Mining Arizona, Inc. ("Excelsior" or "the Company") to meet the financial costs described in Arizona Administrative Code ("A.A.C") R-18-9-A201(B)(5), relative to Excelsior's application for an Aquifer Protection Permit ("APP").

Prior to the permit being issued, Excelsior will be financially capable of meeting the costs for construction, operation, maintenance, closure, and post-closure as listed in Item 17 of the Individual Aquifer Protection Program Permit Application Form, which accompanies Excelsior's APP application and for which this letter is being submitted as Appendix B.

Excelsior will submit a Performance Surety Bond, as allowed under R18-9-A203(C)(6), as the mechanism for financial assurance for the APP to cover the estimated costs as described in Appendix N of the APP application. The Performance Surety Bond will:

a. Be effective before the signature of the APP being granted;
b. Be provided by a company listed as an acceptable surety on federal bonds in Circular 570 of the U.S. Department of the Treasury;
c. Provide for performance of all the covered items listed in R18-9-A201(B)(5) by the surety, or by payment into a standby trust fund of an amount equal to the penal amount if Excelsior fails to perform the required activities;
d. Contain a penal amount that is at least equal to the amount of the cost estimate developed in R18-9-A201(B)(5) to satisfy the requirements of this Section;
e. Name the Arizona Department of Environmental Quality as beneficiary;
f. Be submitted to the Director in its original form;

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g. Stipulate that under the terms of the bond, the surety is liable on the bond obligation should Excelsior fail to perform as guaranteed by the bond; and
h. Be structured so that the surety payments under the terms of the bond are deposited directly into the Standby Trust Fund.

Excelsior group companies have obtained such performance surety bonds in the past and currently have three in effect. Management is confident that it will be able to obtain an additional performance bond in conjunction with the granting of the APP and has already held discussions with interested providers.

Further, Excelsior has also demonstrated the ability to raise a significant amount of capital to advance the Gunnison Copper Project as well as to complete the acquisition of the Johnson Camp assets from Nord Resources. In fact, since 2010, Excelsior has raised in excess of US $45 million in financings, including more than US $29 million in the last 18 month period which has proven to be one of the worst financing environments in decades for junior mining companies that are in the exploration and development stages.

Excelsior's largest shareholder, Greenstone Resources L.P., a UK-based private equity firm whose management has more than 80 years of collective experience, predominantly fulfilling senior roles within mining companies, financial institutions and principal investing, has invested US $22.5 million in Excelsior just in the last 18 months, taking its ownership position to over 40%.

Through its chairman and certain corporate officers and vice presidents, Excelsior is associated with King & Bay West Management Corp. ("KBW"), a private Canadian company that specializes in identifying, funding, developing and managing junior mining and technology business opportunities. Since its inception, KBW has been instrumental in obtaining more than US $600 million in capital and committed funds for its affiliated companies.

In 2015, Excelsior was also recognized as one of the top companies on the Toronto Stock Exchange Venture Exchange ("TSX-V") in the "2015 TSX Venture 50" ranking. Excelsior ranked second out of more than 1,110 mining companies listed on the TSX-V. The criteria used to select the top companies were market capitalization growth, share price appreciation, trading volume and analyst coverage.

All of the aforementioned demonstrate the confidence that the capital markets and investment community have on Excelsior's management to deliver, execute and obtain the necessary capital to fulfill its corporate strategy. It also demonstrates the positive views on the Gunnison Copper Project itself in terms of favourable economics and jurisdiction, amongst others, which should allow Excelsior to obtain the necessary financing to construct the mine once the permitting process completes and then subsequently operate, maintain, and close it when mining terminates.

I trust that the above demonstrates Excelsior's ability to obtain the required financial assurance required for the purpose of the APP application.

Yours truly,

EXCELSIOR MINING Arizona, Inc.

Carlo Valente, CA

Chief Financial Officer

cc: Stephen Twyerould, President and Chief Executive Officer

Roland Goodgame, Executive Vice President

Rebecca Sawyer, Vice President Sustainability