EXCELSIOR ENERGY LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007

The following discussion and analysis is management's opinion of Excelsior Energy Limited's ("Excelsior" or the "Company") historical financial and operational results and should be read in conjunction with the interim consolidated financial statements for the six and three month periods ended June 30, 2008 and 2007, together with the notes related thereto. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The information has been prepared effective August 26, 2008.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this management discussion and analysis ("MD&A") include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: future oil and gas prices and well production performance, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived there from. Except as required by law, Excelsior disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

The forward-looking information contained herein is expressly qualified by this cautionary statement.

OVERVIEW

The Company is active in oil sands exploration and appraisal in Alberta and oil exploration and appraisal in the UK North Sea. In addition the Company has minor interests in gas production in Alberta.

The Company completed its earning obligations in the Hangingstone area ("Hangingstone Asset" or "Hangingstone") near Fort McMurray upon completion of the 26 core well winter drilling program in March 2008. Excelsior now has a 75% working interest in 39 contiguous sections of land at Hangingstone. The Company engaged McDaniel & Associates Consultants Limited to prepare an independent evaluation of bitumen resources ("the Report") at Hangingstone. The Report, dated July 1, 2008, was prepared in accordance with National Instrument 51-101. The Report confirmed the commercial potential of the Hangingstone Asset assigning 119 million barrels of contingent resources with a net present value before income tax discounted at 8% of $283 million ($2.60 per basic common share of the Company).

Excelsior developed an integrated resource model in Q2 using software supported by Paradigm™. The Paradigm™ models are a sophisticated platform for stochastic analysis of reservoir environments used by senior oil sands producers. The resource model captured Hangingstone geophysical, petrophysical and interpretive data in a 3D model of the McMurray reservoir. The reservoir model was used to quantify exploitable bitumen resource based on geostatistics and to identify high potential areas for core drilling in winter 2008- 2009.

Excelsior is currently planning the 2008/2009 winter drilling program to delineate areas identified for SAGD commercial production. The Company is working towards a 10,000 bopd SAGD demonstration project application at Hangingstone in Q2, 2009.

The Company drilled nine core wells at West Surmont ("Surmont" or "Surmont Asset") south of Fort McMurray during the 2007/2008 winter drilling season completed in March 2008. Excelsior is earning a 75% working interest in 18 contiguous sections of land at Surmont by paying 100% of land acquisition costs, seismic and core drilling costs. The Company also agreed to pay $2,900,000 of the farmor's 25% share of continuing operations, contingent upon successful drilling results and the parties' agreement to continue operations. Seismic interpretation was used to delineate the size and number of potential SAGD oil sand pods for selection of the nine drilling locations. An additional nine well exploration program prior to March 31, 2009, represents the next earning phase pursuant to the farmin agreement.

The Company, through its subsidiary Excelsior Energy North Sea Limited ("EENS"), has one license covering two part blocks, 16/1a and 16/6c in the UK North Sea. A number of leads have been identified and mapped in Eocene and Palaeocene aged sand reservoirs which are productive in the neighbouring West Brae Field. Currently seismic is being reprocessed and interpreted to identify potential drilling locations.

In April 2008, the Company restructured its holdings in EENS exchanging all shares of EENS for shares in ENS Energy Ltd. ("ENS"), a newly incorporated Alberta private company. Subsequent to the restructuring ENS completed a private placement of common shares and common share purchase warrants for gross proceeds of $1.0 million. The financing had the effect of reducing the Company's interest in ENS from 100% to 75% as Excelsior did not participate in the financing. The transaction provides the structure to execute an international strategy and adds value to assets which management believes were undervalued within Excelsior. By segregating the oil sands and North Sea assets, capital markets can be accessed for these opportunities independently.

The Company has funded its oil sands activity with equity financings completed in 2007. In January 2008, the Company closed the second tranche of the December 2007 private placement issuing 2,305,500 common shares at $0.52 per share for gross proceeds of $1,198,860.

To move forward with a seismic program at Hangingstone in 2008 and winter drilling in the 2008/2009 season for both properties, Excelsior entered into an agreement on August 6, 2008, to raise up to $20 million on a best efforts basis. The Company plans to issue a combination of common shares at a price of $0.29 per common share and common shares issued on a flow through basis at a price of $0.34 per flow through common share. The financing is expected to close in early September 2008.

The Company's strategy is to capture oil and gas appraisal and development opportunities where it can leverage management's diverse international experience and field development expertise. This includes heavy oil reservoir engineering and development of complex fields. The scale of the oil sands resource opportunity in Alberta complements Excelsior's international portfolio.

Shares of the Company trade on the TSX Venture Exchange under the trading symbol ELE.

SIX AND THREE MONTHS ENDED JUNE 30, 2008 AND 2007

Selected Information

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	**2008**	2007
Gas revenue	**$ 82,112**	$ 59,820	**$ 45,074**	$ 27,866
General and administrative expense	**703,922**	495,227	**424,894**	258,786
Net and comprehensive loss	**(1,412,154)**	(623,710)	**(834,659)**	(319,607)
Loss/share	**($0.01)**	($0.01)	**($0.01)**	($0.01)
Cash flows from (used in) continuing operations	**(289,684)**	(572,576)	**117,474**	(354,183)
Expenditures on petroleum and natural gas properties	**$11,256,704**	$17,268,714	**$ 416,799**	$ 14,880,093
Weighted average number of shares outstanding	**107,917,809**	34,699,258	**108,824,891**	41,110,964

Gas revenue, royalties and operating costs

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	**2008**	2007
Gas revenue	**$ 82,112**	$ 59,820	**$ 45,074**	$ 27,866
Royalties	**(12,461)**	(13,936)	**(6,410)**	(4,877)
Operating costs	**(18,066)**	(8,265)	**(10,020)**	(6,437)

Excelsior has a 26.66% working interest in a non-operated gas well located in the Hastings area of Alberta. The gas well averaged 43 mcfd (net to Excelsior) for the six month period ended June 30, 2008 (2007 – 46 mcfd). Gas prices averaged $8.40 per mcf (2007 - $7.11 per mcf) contributing to the increase in gas revenue in 2008 over the prior period. Crown royalties of $12,461 averaged 15% of revenue (2007 – 23%). Operating costs of $18,066 averaged $1.85 per mcf (2007 - $0.98 per mcf). Depletion for the Hastings property was calculated at a rate of $4.78 per mcf in 2008 totalling $46,700 (2007 - $3.11 per mcf, totalling $26,200).

For the three months ended June 30, 2008 the Hastings gas well produced approximately 52 mcfd (2007 – 41 mcfd) at an average price of $9.56 per mcf (2007 - $7.43 per mcf). Crown royalties of $6,410 averaged 15% of revenue (2007 – 18%). Operating costs of $10,020 averaged $2.12 per mcf (2007 - $1.78 per mcf). Depletion for the Hastings property was calculated at a rate of $4.77 per mcf in the three months ended June 30, 2008 totalling $22,500 (2007 - $3.11 per mcf, totalling $11,700).

Other Revenue

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	**2008**	2007
Interest income	**$ 191,947**	$ 49,678	**$ 51,418**	$ 23,609
Gain on sale of marketable securities	**-**	4,660	**-**	4,660
Interest and other income	**$ 191,947**	$ 54,338	**$ 51,418**	$ 28,269

Interest income for all periods was interest income generated by funds held in short term deposits. Short term deposit balances were higher throughout the first half of 2008 compared to 2007 resulting from the majority of funds received from equity financings in 2007 being from private placements closed on June 25 and December 31, 2007.

In addition to interest income for the six and three months ended June 30, 2007, a gain of $4,600 was realized on the sale of marketable securities.

General and Administrative Expenses

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	**2008**	2007
General and administrative expenses before overhead recoveries	**$ 832,302**	$ 495,227	**$ 451,713**	$ 258,786
Capital overhead recoveries	**(119,380)**	-	**(26,819)**	-
General and administrative expenses	**$ 703,922**	$ 495,227	**$ 424,894**	$ 258,786

General and administrative expenses were $703,922 for the period ended June 30, 2008 compared to $495,227 in 2007. The Company experienced higher general and administrative costs in 2008 for one additional staff member, increased salaries from annual performance reviews, investor relations services and higher professional and public company costs from resulting increase in corporate activity over 2007. General and administrative expenses were reduced by overhead recoveries recognized in the first half of 2008 from the winter drilling program the Company operated in 2007/2008. These circumstances reflect the same increase in general and administrative expenses of $424,894 for the three month period ended June 30, 2008 compared to $258,786 in 2007.

Stock based compensation

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	**2008**	2007
Stock based compensation	**$ 1,957,300**	$ 188,368	**$ 1,165,507**	$ 91,006

Stock based compensation was $1,957,300 in the six month period ended June 30, 2008 and $188,368 in 2007. The increase in stock option expense in 2008 resulted from the Company having 6,244,002 more stock options to value and account for at June 30, 2008, than the prior period. Similarily in the three month period ended June 30, 2008 there were 2,535,000 options granted to total 9,997,825 stock options outstanding compared to 1,150,000 options granted to total 2,549,341 stock options outstanding in the same period in 2007.

Capital expenditures

	Six Months Ended June 30		Three Months Ended June 30	
	2008	2007	**2008**	2007
Petroleum and natural gas properties – cash additions	**$ 11,256,704**	$ 8,954,619	**$ 416,799**	$ 6,565,998
Petroleum and natural gas properties – non-cash additions	**-**	8,314,095	**-**	8,314,095
Total capital expenditures	**$ 11,256,704**	$17,268,714	**$ 416,799**	$ 14,880,093

The Company incurred petroleum and natural gas properties expenditures of $11.3 million in the six months ended June 30, 2008. Costs incurred at Hangingstone in 2008 totalled $6.7 million for drilling 24 of the 26 core wells during the winter core drilling program completed in March, 2008. Costs at Surmont totalled $4.4 million for the nine core wells completed in March, 2008. The Company also incurred $154,717 for costs to re-process and interpret seismic on the North Sea prospect in 2008.

In 2007 the Hangingstone property was acquired for land and bonus costs of $7.5 million and by issuing 8,647,359 common shares valued at $8.3 million. Additionally a seismic program was undertaken for $1.4 million to assist in identifying drilling locations for the 2007/2008 winter drilling program.

Expenditures in the quarter ended June 30, 2008 were for completion of the core analysis and lease clean up at Hangingstone and Surmont. Expenditures in the quarter ended June 30, 2007 were for land and bonus costs of $6.6 million and issuing 8,647,359 common shares valued at $8.3 million as part of the acquisition costs at Hangingstone.

Asset retirement obligation

Asset retirement obligations increased to $ 5,249 in 2008 from $5,059 at December 31, 2007 as a result of accretion for the six months ended March 31, 2008. The asset retirement obligation represents the estimate for, and accumulated accretion of, the working interest in one well at Hastings, Alberta.

Non-controlling interests

In April 2008 the Company restructured its holding in its subsidiary, EENS. Excelsior incorporated a subsidiary ENS and exchanged all of the common shares of EENS for 12,000,000 common shares of ENS. Subsequent to the restructuring ENS closed a $1.0 million private placement equity financing consisting of common shares and common share purchase warrants. The financing had the effect of reducing the Company's interest in ENS from 100% to 75% as Excelsior did not participate in the financing. The 25% reduction in its holding resulted in a dilution gain to the Company of $614,544 and reduction of petroleum and natural gas properties of $87,068, relating to the Company's North Sea assets.

INCOME TAXES

The Company recorded a future income tax liability of $3,637,907 at June 30, 2008 (2007 – nil) mostly resulting from the reduction in tax pools for the renunciation of $16,425,800 of flow through expenditures in the first quarter of 2008. At June 30, 2008 the Company had non-capital loss carry-forwards totalling approximately $6,865,000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2008 the Company had working capital of $4,737,761 (December 31, 2007 - $14,337,806) which included $5,329,166 of cash and cash equivalents (December 31, 2007 - $15,848,648). The Company's cash is held in accounts on deposit and short term guaranteed investment certificates issued by a major Canadian bank.

The Company's primary source of cash to cover expenditures for the six month period ended June 30, 2008 was from funds received from the sale of common shares through private placement offerings that occurred throughout 2007. Excelsior completed three financings in 2007 totalling gross proceeds of $45,308,650. In January 2008, the Company closed the second tranche of the December 2007 private placement issuing 2,305,500 common shares at $0.52 per share for gross proceeds of $1,198,860.

At August 26, 2008, Excelsior had 108,824,891 common shares outstanding.

There are 9,997,825 stock options and 794,520 warrants to purchase common shares of the Company as of August 26, 2008. The Company also has a commitment to issue 6,000,000 common shares contingent on certain performance thresholds being met on the Hangingstone property under the terms of a share purchase agreement for a private company acquired in 2007.

At June 30, 2008 the Company had no debt or credit facilities.

The Company is in the process of finalizing the 2008 capital budget at Hangingstone and Surmont. A seismic program at Hangingstone will be undertaken in 2008 to assist in identifying the drilling locations for the 2008/2009 winter drilling season. Excelsior has sufficient working capital for the seismic program which will also satisfy $1,087,800 of eligible expenditures for the remaining flow through commitments at June 30, 2008. The Company's primary source of funds for the 2008/2009 winter drilling program will be from equity financing. Excelsior has entered into a best efforts brokered private placement financing for up to $20 million expected to close in early September 2008.

The Company is obligated to complete seismic re-interpretation and a feasibility study on the North Sea asset in 2008, budgeted to be $500,000. With the restructuring of its holding in ENS and completion of the private placement financing in ENS, the Company has sufficient funds to fulfill this obligation.

COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ARRANGEMENTS

The Company's obligation at June 30, 2008 at Surmont was to complete a nine well core drilling program by March 31, 2009 pursuant to a farmin agreement. The Company also agreed to fund $2.9 million of the farmor's 25% share of continuing operations, contingent upon successful drilling results and the parties' agreement to continue operations. The Company plans to drill nine wells in the 2008/2009 winter drilling season and, upon successful drilling results, will pay $2.9 million in ongoing work commitments to fulfill the remaining earning obligations. Funding for the drilling program in 2008/2009 and payment of the $2.9 million in ongoing work commitments will require Excelsior to obtain equity financing. Excelsior's ability to raise equity financing will be subject to market conditions at that time.

Pursuant to a share purchase agreement with a private company ("PrivateCo") acquired by the Company in 2007, up to an additional 6,000,000 common shares of Excelsior may be issued to the shareholders of PrivateCo upon certain resources performance thresholds being met. Excelsior will issue 3,000,000 common shares to the shareholders of PrivateCo upon receiving an independent engineering evaluation which allocates and assigns to the Hangingstone Asset reserves greater than 75,000,000 barrels of gross recoverable bitumen (100% project) in the NI 51-101 compliant probable and possible category by December 31, 2009. An additional 3,000,000 common shares will be issued to the shareholders of PrivateCo if Excelsior receives a NI 51-101 compliant evaluation assigning to the Hangingstone Asset reserves greater than 150,000,000 barrels of gross recoverable bitumen (100% project) in the NI 51-101 compliant probable and possible category by December 31, 2010.

The Company has commitments to incur and renounce $16,425,800 of eligible expenditures by December 31, 2008. As at June 30, 2008, the Company had renounced $16,425,800 expenditures to flow through subscribers and had incurred approximately $15,338,000 of eligible expenditures.

Excelsior was successful in the 24th Offshore UK Licensing Round in February, 2007, and was awarded one license covering two part blocks, 16/1a and 16/6c in the UK North Sea. The Company is obligated to complete seismic re-interpretation and a feasibility study in 2008 budgeted to be $500,000. With the restructuring of its holding in ENS and completion of the private placement financing in ENS, the Company has sufficient funds to fulfill this obligation.

The Company has not entered into any off balance sheet transactions.

PROPOSED TRANSACTIONS

Excelsior entered into an agreement on August 6, 2008 to raise up to $20 million, on a best efforts basis, by issuing a combination of common shares at a price of $0.29 per common share and common shares issued on a flow-through basis at a price of $0.34 per flow-through common share. A commission of 6% will be paid to the agent. The financing is expected to close in early September 2008.

FINANCIAL INSTRUMENTS

Financial instruments of the Company include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity.

NEW ACCOUNTING POLICIES

As of January 1, 2008 the Company adopted new CICA Handbook requirements, Section 3862, *Financial Instruments – Disclosures*, Section 3863, *Financial Instruments – Presentations* regarding the Company's financial instruments and Section 1535, *Capital Disclosures,* regarding capital management.

Section 3862 requires increased disclosure regarding the Company's financial instruments, the risks associated with these instruments and how the risks are managed. Section 3863 new presentation standard carries forward the former presentation requirements. The required disclosures are contained in Notes 8 and 9 to the Company's interim unaudited consolidated financial statements.

Section 1535 – *Capital Disclosures*, requires the Company to disclose its definition of capital and its objectives, policies and processes for managing its capital structure. The required disclosures are contained in Note 7 to the Company's interim unaudited consolidated financial statements.

RELATED PARTY TRANSACTIONS

The Company utilized the services of a law firm of which a former officer of the Company is a partner. During the six month period ended June 30, 2007 the Company expended $23,147 recorded in general and administrative expenses, $16,334 in share capital for share issue costs and $15,047 in petroleum and natural gas properties in legal fees with this firm. During the three month period ended June 30, 2007 the Company expended $18,324 recorded in general and administrative expenses and $2,127 in share capital for share issue costs in legal fees with this firm.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In February 2008, the Accounting Standards Board ("AcSB") issued Section 3064, *Goodwill and Intangible Assets,* and amended Section 1000, *Financial Statement Concepts*, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. The standard is effective for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact these sections will have on its results of operation and financial position.

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008 the AcSB has confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards will replace Canada's current Generally Acceptied Accounting Principles ("GAAP") for all publicly accountable profit-oriented enterprises. The Company is currently evaluating the impact of this changeover on its consolidated financial statements.

In February 2008, Canadian accounting standard setters announced that International Financial Reporting Standards ("IFRS") will replace Canada's current Generally Accepted Accounting Principles ("GAAP") for all publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. Canadian entities will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company has not completed development of its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS exemptions. The Company hopes to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements, by June 30, 2009.

RISK FACTORS

The Company is exposed to a variety of business risks and uncertainties in the international petroleum industry including the uncertainty of finding reserves, developing and marketing those reserves, availability of equipment and services, commodity prices, volatility of financial markets and changes in government regulations.

Excelsior addresses these risks by employing and contracting highly skilled and motivated personnel and focusing management's efforts in areas where they have existing knowledge and using current technology to assess projects and control costs. The Company maintains a corporate insurance program consistent with industry practice to protect against losses due to property damage, well blowouts and other operating accidents.

On October 25, 2007, the Government of Alberta proposed a new royalty regime for conventional oil, natural gas and bitumen effective January 1, 2009. The changes to the royalty regime require new legislation and changes to the existing legislation. The new royalty regime will apply to new and existing oil sands projects. The impact of the proposed new royalty regime on project economics for development of potential projects is expected to be negative although such economics are dependent on multiple factors. Excelsior's initial evaluation indicates that the impact of the proposed new royalty regime will not be significant for early stage oil sands appraisal projects, particularly in the context of reduced federal corporate income tax changes enacted in 2008.

The oil and gas industry is subject to varying environmental regulations imposed by governments to protect the environment. The Company is committed to operating safely and in an environmentally sensitive manner. The Company complies with all regulatory requirements.

In March 2008, the Federal Government released a detailed plan for reducing greenhouse gas emissions introducing a carbon capture and storage requirement for all oil sands projects coming on-stream after 2011. The proposal will result in increased costs of operating and producing from Alberta's oil sands. The Company is monitoring the discussion and implementation of this proposal and effects it will have on its future SAGD development plans.

The Company's focus is to continue to explore and develop its oil sands properties. Funding for the ongoing capital requirements associated with oil sands exploration and development will primarily be from equity financing. The Company's ability to raise equity financing will be subject to market conditions at that time.

OUTLOOK

Excelsior will focus its efforts on its oil sands properties and North Sea license in 2008.

The success of the core delineation program at Hangingstone during the past winter has confirmed the resource potential of this asset. The independent resource evaluation dated July 1, 2008 supports an economically feasible commercial project allowing Excelsior to move towards an application for a development pilot project at Hangingstone by mid-2009. In the first steps to this end, the Company is raising up to $20 million in a private placement due to close in the first week of September. Proceeds of this financing would fund a seismic program and winter core drilling program targeting the optimum location for the initial pilot project. Additionally an environmental base line assessment for a portion of the Hangingstone asset has commenced to facilitate planning for the pilot project application in 2009.

At Surmont the Company expects to undertake a nine core drilling program by March 31, 2009 and complete its earning obligations for its 75% working interest. Upon successful drilling results Excelsior has agreed to pay $2.9 million in ongoing work commitments to fulfill the remaining earning obligations. Funding for the winter drilling program will require the Company to raise equity financing. Independent engineering reports for Surmont will be updated at year end December 31, 2008.

In the North Sea a number of leads on Excelsior's blocks have been identified and mapped in Eocene and Palaeocene aged sand reservoirs which are productive in the neighbouring West Brae Field. Currently seismic is being reprocessed and interpreted to identify potential drilling locations. It is expected a decision to drill will be made by years' end.

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Information

Three Months Ended	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007
Gas sales	$ 45,074	$ 37,038	$ (22)	$ 16,537
Stock based compensation expense	1,165,507	791,793	876,511	2,902,285
General and administrative expense	424,894	279,028	420,607	316,607
Cash provided by (used in) operating activities	117,474	(407,158)	(264,983)	(190,641)
Net loss and comprehensive loss	$ (834,659)	$ (577,495)	$ (1,287,057)	$ (3,030,554)
Loss per share – basic and diluted	($0.01)	($0.01)	($0.01)	($0.03)

Three Months Ended	June 30, 2007	Mar. 31, 2007	Dec. 31 2006	Sept. 30, 2006 As Restated
Gas sales (1)	$ 27,866	$ 31,954	$ 8,900	$ 27,064
Stock based compensation expense (2)	91,006	97,362	-	-
General and administrative exp. (3,4)	258,786	236,441	444,953	708,547
Cash used in operating activities	(354,183)	(218,393)	(442,483)	(560,741)
Net loss and comprehensive loss	$ (319,607)	$ (304,103)	$ (2,296,200)	$(684,094)
Loss/share	($0.01)	($0.01)	($0.08)	($0.02)

During the preparation of the Company's annual financial statements for the 15 month period ended December 31, 2006, it was determined the measurement and classification of certain transactions/estimates during the period was incorrect and not in accordance with Canadian generally accepted accounting principles. The transactions for which restatement was required occurred prior to the amalgamation on September 6, 2006 and prior to the resulting change in the management of the Company. After reviewing the nature of the transactions and considering the most appropriate treatment under Canadian GAAP, the Board of Directors, acting on the unanimous recommendation of management and the Audit Committee, approved restatement of the interim periods affected. These transactions have been accurately reflected in the audited financial statements as at December 31, 2006.

The following transactions required restatement in the period in which the transaction occurred:

1. Recognition of certain net revenues for the quarter ended June 30, 2006 was inadvertently duplicated.
2. Stock based compensation expense during the period was overstated as a result of an error in the calculation of the fair value of stock options granted and warrants issued. In addition, the fair value of warrants issued in connection with various financings was incorrectly expensed instead of being applied to reduce share capital.
3. Certain fees for share issuances, and capital costs relating to a North Sea asset subsequently written off in the quarter ended December 31, 2006, all of which were

expensed in the interim periods, should have been capitalized or charged against shareholders' equity.

4. General and administrative expenses was reduced by $43,063 in the quarter ended September 30, 2006 resulting from a duplicate entry.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of June 30, 2008 that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to them by others within those entities. There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information about Excelsior and its business activities is available on SEDAR at www.sedar.com.