

**EXCELSIOR ENERGY LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007**

The following discussion and analysis is management's opinion of Excelsior Energy Limited ("Excelsior" or the "Company") historical financial and operational results and should be read in conjunction with the interim consolidated financial statements for the three month period ended March 31, 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 May 28, 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.

In February 2007, the Company entered into a farmin agreement for oil sands exploration and appraisal in the Hangingstone area (“Hangingstone Asset” or “Hangingstone”) near Fort McMurray, Alberta for up to 52.5% working interest in 39 contiguous sections of land. Subsequently Excelsior acquired a private company to increase its working interest to up to 75%. Pursuant to the farmin agreement the Company was required to reimburse the farmor for land and bonus costs, undertake a 2D seismic program and drill 24 core wells on the property by March 31, 2008. Excelsior fulfilled all farmin obligations to earn its 75% working interest in March 2008 with the completion of the 26 core well winter drilling program. Two additional core wells were added to the drilling program to better delineate an area of high quality bitumen sands.

In July 2007, the Company executed a farm-in agreement to acquire a 75% working interest in 18 contiguous sections of land in the West Surmont area (“Surmont” or “Surmont Asset”) south of Fort McMurray. In September 2007, the Company added to its contiguous land position at Surmont by acquiring one additional section (net 75% working interest). Pursuant to the farmin agreement Excelsior will acquire its 75% interest by paying 100% of land acquisition costs, seismic and core drilling costs. The Company also agreed to fund \$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 to assist in selecting nine drilling locations for the 2007/2008 winter drilling program which was completed in March, 2008. An additional nine well exploration program prior to March 31, 2009, would complete the final earning.

Currently the core analysis from both core drilling programs is ongoing with completion expected by May 31, 2008. The core data will be integrated with the wireline log data to determine reservoir parameters and net pay thicknesses. Ultimately this data will allow selection of core wells for the 2008/2009 winter drilling season for further delineation of areas with potential for SAGD commercial production.

The Company, through its wholly owned subsidiary Excelsior Energy North Sea Limited (“ENS”), 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. In April 2008, the Company restructured its holdings in ENS exchanging all shares of ENS for shares in a newly incorporated Alberta private company (“NorthseaCo”). In connection with the restructuring NorthseaCo intends to issue 25% of its common shares in a private placement for gross proceeds of \$1.0 million. The transaction provides the structure to execute an international strategy and adds value to assets which management believes are currently 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.

The Company plans to continue to fund its oil sands activity with equity financing. To move forward with a seismic program at Hangingstone in 2008 and winter drilling in the 2008/2009 season for both properties, Excelsior will require additional financing. Excelsior's ability to raise equity financing will be subject to market conditions at that time.

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 MONTHS ENDED MARCH 31, 2008 AND 2007

Selected Information

Three months ended March 31	2008	2007
Gas sales	\$ 37,038	\$ 31,954
General and administrative expense	279,028	236,441
Net loss and comprehensive loss	(577,495)	(304,103)
Loss per share – basic and diluted	(\$0.01)	(\$0.01)
Cash flows used in operations	\$ (407,158)	\$ (218,393)
Weighted average number of shares outstanding	108,517,539	28,266,101

Gas revenue, royalties and operating costs

Three months ended March 31	2008	2007
Gas sales	\$ 37,038	\$ 31,954
Royalties	(6,051)	(9,059)
Operating costs	(8,046)	(1,828)

Excelsior has a 26.64% working interest in a non-operated gas well located in the Hastings area of Alberta. The gas well averaged 55 mcf (net to Excelsior) for the three month period ended March 31, 2008 (2007 – 52 mcf) at an average price of \$7.32 per mcf (2007 - \$6.85 per mcf). The property was experiencing greater than anticipated production declines during 2007 and was shut in for most of the fourth quarter of 2007 for a workover/recompletion. The well was back on production in December 2007 at levels previously experienced in the first quarter of 2007. Crown royalties of \$6,051 averaged 16% of revenue (2007– 28%). Operating costs of \$8,046 averaged \$1.59 per mcf (2007 - \$0.38 per mcf). Depletion for the Hastings property was calculated at a rate of \$4.79 per mcf in 2008 totalling \$24,200 (2007 - \$3.10 per mcf, totalling \$14,500).

Interest and other income

Three months ended March 31	2008	2007
Interest income	\$ 140,529	\$ 24,329
Unrealized gain on sale of marketable securities	-	1,740
Interest and other income	\$ 140,529	\$ 26,069

Interest income of \$140,529 (2007 - \$24,329) was interest income generated by funds held in short term deposits. Short term deposit balances were higher throughout the first quarter of 2008 compared to 2007 resulting from funds received from equity financings in 2007 to fund the drilling program during the winter. The Company recorded an unrealized gain of \$1,740 from an investment in marketable securities in 2007. This investment was sold in the second quarter of 2007.

General and administrative expenses

Three months ended March 31	2008	2007
General and administrative expenses before overhead recoveries	\$ 371,589	\$ 236,441
Capital overhead recoveries	(92,561)	-
General and administrative expenses	\$ 279,028	\$ 236,441

General and administrative expenses were \$279,028 for the period ended March 31, 2008 compared to \$236,441 in 2007. The incremental increase in this cost was minimal over the periods, however the Company did experience higher general and administrative costs in 2008 for one additional staff member, increased salaries from annual performance reviews, investor relations services, higher professional and public company costs from resulting increase in corporate activity over 2007. These increases were offset by overhead recoveries recognized in the first quarter of 2008 from the winter drilling program the Company operated in 2007/2008.

Stock based compensation

Three months ended March 31	2008	2007
Stock based compensation	\$ 791,793	\$ 97,362

Stock based compensation was \$791,793 in the three month period ended March 31, 2008 and \$97,362 in 2007. The increase in stock option expense in 2008 resulted from the Company having 6,945,508 more stock options outstanding at March 31, 2008, than the prior period, with a higher average fair value of \$0.88 per option compared to \$0.15 in 2007. A higher fair value was assigned due to higher grant prices, resulting from increased market prices, and a higher volatility in the market price of the Company's shares.

Capital expenditures

Three months ended March 31	2008	2007
Total additions	\$ 10,839,905	\$ 2,388,621

Petroleum and natural gas property expenditures were \$10,839,905 in 2008 for the core drilling program costs incurred at Hangingstone and Surmont. Expenditures in the three month period ended March 31, 2007 were for the initial consideration paid pursuant to the Hangingstone oil sands property farm-in agreement of \$1,400,000 cash and for \$980,000 seismic program.

Asset retirement obligation

Asset retirement obligations increased to \$ 5,154 in 2008 from \$5,059 at December 31, 2007 as a result of accretion for the three 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.

INCOME TAXES

The Company recorded a future income tax liability for \$3,730,212 at March 31, 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 March 31, 2008 the Company had non-capital loss carry-forwards totalling approximately \$6,321,000.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2008 the Company had working capital of \$4,502,048 (December 31, 2007 - \$14,337,806) which included \$9,855,753 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 three month period ended March 31, 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 a December 2007 private placement issuing 2,305,500 common shares at \$0.52 per share for gross proceeds of \$1,198,860.

At May 28, 2008, Excelsior had 108,824,891 common shares outstanding.

There are 8,062,825 stock options and 3,055,140 warrants to purchase common shares of the Company as of May 28, 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 March 31, 2008 the Company had no debt or credit facilities.

The Company will finalize the 2008 capital budget after the core analysis is completed at Hangingstone and Surmont. It is expected a seismic program at Hangingstone will be undertaken in 2008 and additional core drilling in the 2008/2009 winter drilling season for both Surmont and Hangingstone. The Company's primary source of funds for the 2008 capital budget will be equity financing. Excelsior's ability to raise equity financing will be subject to market conditions at that time.

COMMITMENTS, CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ARRANGEMENTS

The Company's obligation at March 31, 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 a value 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 a value 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 March 31, 2008, the Company had renounced \$16,425,800 expenditures to flow through subscribers and had incurred approximately \$15,086,000 of eligible expenditures.

Excelsior was successful in the 24th Offshore UK Licensing Round in February, 2007, through its wholly owned subsidiary Excelsior Energy North Sea Limited, 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 a

proposed subsequent financing in NorthseaCo, the Company will have sufficient funds to fulfill this obligation.

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

PROPOSED TRANSACTIONS

In April 2008, the Company restructured its holdings in its subsidiary, Excelsior Energy North Sea Limited (“ENS”). Excelsior exchanged all of the shares of ENS for shares in a newly incorporated Alberta private company (“NorthseaCo”). Excelsior will manage and currently owns 100% of NorthseaCo. In connection with the restructuring NorthseaCo intends to issue 25% of its common shares in a private placement for gross proceeds of \$1.0 million. It is anticipated that certain insiders of the Company, including management and directors, will participate in the private placement to a maximum level of 50% of the private placement being sold. The transaction provides the structure to execute an international strategy and adds value to assets which management believes are currently undervalued within Excelsior. By segregating the oil sands and North Sea assets, capital markets can be accessed for these opportunities independently.

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 7 and 8 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 6 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 three month period ended March 31, 2007 the Company expended \$4,823 recorded in general and administrative expenses, \$14,204 in share capital for share issue costs and \$15,047 in petroleum and natural gas properties 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 Accepted 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.

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

The Company will focus its efforts primarily on the Hangingstone and Surmont oil sands properties in 2008.

Currently the core analysis from both core drilling programs is ongoing with completion expected by May 31, 2008. The core data will be integrated with the wireline log data to determine reservoir parameters and net pay thicknesses. Seismic, log and core data will be integrated into a geological model that will support resource evaluation on the properties. An independent engineering report on the Hangingstone asset is expected to be available in Q2, 2008. Independent engineering reports for Surmont are planned to be updated in Q3, 2008.

Integrated geological models will identify high resource potential areas for seismic and core programs scheduled for the 2008/2009 winter drilling season. An environmental base line assessment for a portion of the Hangingstone asset is scheduled to commence in summer 2008 to facilitate planning for a pilot project application in 2009.

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Information

Three Months Ended	Mar. 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007
Gas sales	\$ 37,038	\$ (22)	\$ 16,537	\$ 27,866
Stock based compensation expense	791,793	876,511	2,902,285	91,006
General and administrative expense	279,028	420,607	316,607	258,786
Cash used in operating activities	(407,158)	(264,983)	(190,641)	(349,523)
Net loss and comprehensive loss	\$ (577,495)	\$ (1,287,057)	\$ (3,030,554)	\$ (319,607)
Loss per share – basic and diluted	(\$0.01)	(\$0.01)	(\$0.03)	(\$0.01)

Three Months Ended	Mar. 31, 2007	Dec. 31 2006	Sept. 30, 2006 As Restated	June 30, 2006 As Restated
Gas sales (1)	\$31,954	\$8,900	\$27,064	\$41,589
Stock based compensation expense (2)	97,362	-	-	-
General and administrative exp. (3,4)	236,441	444,953	708,547	178,806
Cash used in operating activities	(218,393)	(442,483)	(560,741)	(181,965)
Net loss and comprehensive loss	(304,103)	(2,296,200)	(684,094)	(95,936)
Loss/share	(\$0.01)	(\$0.08)	(\$0.02)	(\$0.00)

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 March 31, 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 March 31, 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.