

**EXCELSIOR ENERGY LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

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 nine and three month periods ended September 30, 2007 and 2006, 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 November 27, 2007.

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 the Company derived from management's 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

On September 6, 2006, Qeva Group Inc. ("Qeva") and Excelsior Energy Limited ("Excelsior Ltd.") amalgamated under the provisions of the Alberta Business Corporations Act and pursuant to an Amalgamation Agreement. Under the terms of the Amalgamation Agreement, Qeva and Excelsior Ltd. continued as a new corporation carrying on business under the name "Excelsior Energy Limited" ("Excelsior" or "the Company"). Following the amalgamation of the two companies, the directors of the Company resolved to adopt a new year-end of

December 31 to conform to the most common year end of similar junior oil and gas companies and for more convenient shareholder reporting periods. For additional information the reader should refer to the Joint Management Information Circular of Qeva and Excelsior Ltd. dated August 2, 2006, and is available on SEDAR.

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

The Company entered into a farm-in agreement for up to 52.5% working interest in oil sands exploration and appraisal in the Hangingstone area (“Hangingstone” or “Hangingstone Asset”) near Fort McMurray, Alberta in February, 2007. In May, Excelsior executed a letter of intent to acquire up to an additional 22.5% working interest in its Hangingstone Asset, with a party common to the farm-in agreement (“PrivateCo”). This transaction closed on July 13, 2007 for the additional 22.5% working interest, providing Excelsior an option to earn 75% working interest in 39 contiguous sections of land upon completion of its farm-in obligations. The first stage of the project was acquisition of 134 kilometers of 2D seismic in the spring of 2007 to tie the existing wells and to delineate the size and number of potential SAGD oil sand pods. The seismic has been interpreted and 44 core drilling locations have been permitted and licensed. An evaluation well program of up to 24 wells is planned for the winter 2007/2008 drilling season, which will satisfy the final farm-in obligations.

In July, 2007 the Company signed a farm-in agreement to acquire a 75% working interest in 18 contiguous sections of land in the West Surmont area south of Fort McMurray (“Surmont” or “Surmont Asset”). Excelsior is acquiring its 75% interest by paying 100% of land acquisition costs and future seismic and drilling costs. The Company has 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. The first stage of the project was acquisition of 72.5 kilometers of 2D seismic to delineate the size and number of potential SAGD oil sand pods. This program was completed in September, 2007. An additional 73.1 kilometers of 2D seismic data was acquired from a third party vendor. An 18 well exploration program prior to March 31, 2009, would complete the final earning. The Company has planned a 9 – 12 core well drilling program for the winter 2007/2008.

In September, 2007 the Company added to its contiguous land position at Surmont by acquiring one additional section (net 75% working interest).

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. 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.

Excelsior completed an equity financing in the second quarter of 2007 for gross proceeds of \$35,001,250 to fund the capital budget for the Hangingstone property and initial costs at Surmont.

The Company entered into private placement arrangements in November to finance a portion of the Surmont core drilling program and initial costs in the UK North Sea. The Company will raise gross proceeds of up to \$8,716,084 in common shares and flow through common shares. Proceeds from this financing will be used for a 9 - 12 core well drilling program in the 2007/2008 winter season. The private placement financing is expected to close on December 12, 2007, subject to regulatory approval and customary closing conditions.

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.

NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

Selected Information

	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006 (restated)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006 (restated)
Gas revenue	\$ 76,357	\$ 87,928	\$ 16,537	\$ 27,064
General and administrative expense	811,834	1,113,280	316,607	708,547
Net and comprehensive loss	(3,654,264)	(1,103,162)	(3,030,554)	(684,094)
Loss/share	\$(0.07)	\$(0.08)	\$(0.03)	\$(0.04)
Cash flows used in continuing operations	\$ (758,557)	\$ (1,070,375)	\$ (190,641)	\$ (526,885)
Weighted average number of shares outstanding	54,812,486	13,934,209	93,971,291	17,576,209

Net Revenue

	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006 (restated)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006 (restated)
Gas revenue	\$ 76,357	\$ 87,928	\$ 16,537	\$ 27,064
Royalties	(16,830)	(48,382)	(2,894)	(9,123)
Operating costs	(10,721)	(9,529)	(2,456)	1,005
Net revenue	\$ 48,806	\$ 30,017	\$ 11,187	\$ 18,946

Excelsior, through its predecessor Qeva, acquired a 26.64% working interest in a petroleum and natural gas lease located in the Hastings area of Alberta in 2005. The property contains one natural gas well producing approximately 41 mcf/d (net to Excelsior) for the nine month period ended September 30, 2007 (2006 – 60

mcf) at an average price of \$6.87 per mcf (2006 - \$5.32 per mcf). Crown royalties of \$16,830 averaged 22% of revenue (2006 – 55%). Operating costs of \$10,721 averaged \$0.96 per mcf (2006 - \$2.91 per mcf). Depletion for the Hastings property was calculated at a rate of \$3.11 per mcf in 2007 totalling \$34,600 (2006 - \$2.75 per mcf, totalling \$54,012).

For the three months ended September 30, 2007 the Hastings gas well produced approximately 29 mcf (2006 – 51 mcf) at an average price of \$6.12 per mcf (2006 - \$5.70 per mcf). Crown royalties of \$2,894 averaged 18% of revenue (2006 – 34%). Operating costs of \$2,456 averaged \$0.88 per mcf (2006 - \$(0.21) per mcf). Depletion for the Hastings property was calculated at a rate of \$3.11 per mcf in the three months ended September 30, 2007 totalling \$8,400 (2006 - \$575).

Interest Revenue

	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006 (restated)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006 (restated)
Other revenue	\$ 243,021	\$ 65,097	\$ 188,683	\$ 39,938

Interest revenue in the amount of \$243,021 for the nine months ended September 30, 2007 (2006 - \$65,097) and \$188,683 for the three months ended September 30, 2007 (2006 - \$39,938) was interest income generated by funds held in short term deposits. In addition to interest income for the three months ended September 30, 2007, a gain of \$4,600 was realized on the sale of marketable securities.

General and Administrative Expenses

	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006 (restated)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006 (restated)
General and Administrative Expenses	\$ 811,834	\$ 1,113,280	\$ 316,607	\$ 708,547

General and administrative expenses were \$811,834 for the nine month period ended September 30, 2007 compared to \$1,113,280 in the first nine months of 2006. Costs in 2007 were lower than 2006 as a result of the Company incurring \$450,000 of severance costs in 2006, associated with the amalgamation.

General and administrative expenses were \$316,607 for the three month period ended September 30, 2007 compared to \$708,547 in the third quarter of 2006. The difference attributed mainly to the \$450,000 in severance costs incurred in 2006 from the amalgamation.

Stock Based Compensation

	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006 (restated)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006 (restated)
Stock based compensation	\$ 3,090,653	\$ 78,171	\$ 2,902,285	\$ -

Stock based compensation was \$3,090,653 in the nine months ended September 30, 2007 and \$78,171 in 2006. In 2007 options to purchase 6,025,010 common shares (\$0.40 - \$1.44 exercise price) were granted. In the comparable period in 2006 options to purchase 750,000 common shares (\$0.35 exercise price) were granted. The stock options in 2006 vested immediately with the entire fair value of the stock options recorded in the quarter. One third of the stock options granted in 2007 vest immediately and 2/3 vest over the next two years. The options were assessed a higher fair value in 2007 due to higher volatility in market price (113% - 143%) as compared to 2006. In 2006 the stock was not trading on a public market, and a lower volatility (25%) was estimated.

Stock based compensation was \$2,902,285 in the three months ended September 30, 2007 and \$nil in the comparable period in 2006. There were 4,875,010 stock options granted in the third quarter of 2007. There were no options granted in 2006 during that period.

Capital Expenditures

	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006 (restated)	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006 (restated)
Petroleum and natural gas properties – cash additions	\$ 28,412,026	\$ 211,165	\$ 19,457,407	\$ 64,069
Petroleum and natural gas properties – non-cash additions	13,413,697	125,000	5,099,602	-
Total additions	\$ 41,825,723	\$ 336,165	\$ 24,557,009	\$ 64,069

Petroleum and natural gas property additions were \$41,825,723 in the nine months ended September 30, 2007, up from \$336,165 for the first nine months of 2006. Significant expenditures were incurred in 2007 at Hangingstone and Surmont. At Hangingstone, Excelsior incurred costs of \$26,797,324, of which \$13,413,697 was satisfied by issuing common shares. Hangingstone costs were incurred for land, bonus consideration, seismic, property relating to the PrivateCo acquisition and pre-drilling expenses. Excelsior incurred \$15,027,532 at Surmont for land, bonus consideration, seismic and pre-drilling expenses. Costs in 2006 were primarily incurred at Hastings, including the issuance of 357,142 common shares for a finder's fee on the Hastings property valued at \$125,000, and costs incurred in the North Sea.

Expenditures of \$24,557,009 in the three month period ended September 30, 2007 were incurred for Hangingstone (\$9,529,477) and Surmont (\$15,027,532). At Hangingstone costs were incurred for land, bonus consideration and to

acquire an additional 22.5% working interest, through the acquisition of PrivateCo, by issuance of shares, which increased petroleum and natural gas properties by \$5,099,602. Capital expenditures for the three month period ended September 30, 2006 were for the Hastings property.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2007 the Company had working capital of \$12,028,013 (December 31, 2006 - \$3,921,612) which included \$15,154,445 of cash and cash equivalents (December 31, 2006 - \$3,965,957). 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 for the nine month period ended September 30, 2007 was equity financing. On March 23, 2007 the Company completed an equity financing (gross proceeds of \$3,089,800) to fund initial capital requirements for the Hangingstone Asset. In June 2007, Excelsior completed an equity financing for gross proceeds of \$35,001,250 to fund the core drilling program (winter 2007/2008) for the Hangingstone property and initial costs at Surmont. In November the company entered into an agreement to equity finance a further \$8,716,084 to fund the core well drilling program at Surmont and the UK North Sea over the next year. Excelsior has flow-through commitments totalling \$9,208,200 (\$16,458,300 after closing the private placement in December, 2007) to fulfill by December 31, 2008. Approximately \$3,150,000 eligible expenditures have been incurred by September 30, 2007.

As of November 27, 2007 Excelsior had 95,415,391 common shares outstanding.

There were 7,462,825 stock options, 6,000,000 common shares representing contingent consideration for the PrivateCo acquisition and 2,260,620 warrants to purchase common shares of the Company as of November 27, 2007.

As of September 30, 2007 the Company had no debt or credit facilities.

The Company has farm-in obligations outstanding at Hangingstone and Surmont to complete its 75% working interest earning in the properties. Excelsior plans to fulfill its obligation at Surmont by funding an 18 core well drilling program, to a maximum of \$6,750,000, by March 31, 2009. The Company has planned a 9 – 12 core well drilling program for the winter 2007/2008. At Hangingstone the Company will complete its earning obligations by funding a 24 core well drilling program, to a maximum of \$7,920,000, in the 2007/2008 winter drilling season. The Company has 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.

Excelsior had sufficient working capital as of September 30, 2007 to fund the 24 core well drilling program at Hangingstone. Upon closing of the November financing, Excelsior will have sufficient funds for the 9 - 12 core well drilling program at Surmont and seismic reprocessing and evaluation in the UK North

Sea. Additional equity financing will be required to pay the supplemental payment of \$2,900,000 and to complete earning at Surmont in 2009. The Company's ability to raise equity financing will be subject to market conditions at that time.

INCOME TAXES

The Company has loss carry-forwards totalling approximately \$4,300,000 at December 31, 2006. No tax asset for the value of these losses has been recorded for accounting purposes as the Company does not believe that it currently meets the criteria of the losses being utilized being more likely than not.

RELATED PARTY TRANSACTIONS

During the nine month period ended September 30, 2007, the Company paid consulting fees in the amount of \$nil (2006 - \$127,300) to companies controlled by directors and officers of the Company. These transactions were in the normal course of business and were recorded at the exchange amount, which is the amount agreed to by the related parties and which is similar to those negotiable with third parties.

The Company utilizes the services of a law firm of which a former officer of the Company is a partner. During the nine month period ended September 30, 2007 the Company expended legal fees of \$54,525, recorded in general and administrative expenses (\$23,141), share capital (\$16,337) and petroleum and natural gas properties (\$15,047), (2006 - \$214,486) with this firm for the period the individual was an officer of the Company.

The Company utilizes the services of a law firm of which a director of the Company is a partner. During the nine month period ended September 30, 2007 the Company expended legal fees of \$35,851 recorded in share capital (2006 - \$nil) with this firm.

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 drilling and related equipment, commodity prices, 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. As per common industry practice the Company obtained corporate insurance programs in 2007.

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 the recently announced federal corporate income tax changes. Accordingly, Excelsior is proceeding with its winter core drilling program and asset appraisal at Hangingstone and Surmont.

The Company has additional drilling requirements prior to March 31 2009, to earn its full 75% working interest at Surmont. The Company has 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. Additional equity financing is required to meet these financial obligations. The Company's ability to raise equity financing will be subject to market conditions at that time.

OUTLOOK

The Company will focus its near-term efforts on the Hangingstone and Surmont oil sands projects.

At Hangingstone the Company completed the interpretation of high quality 2D seismic data. The data identified several areas prospective for thick McMurray Formation. Based on the interpretation, the Company has permitted 44 well locations to provide operational flexibility for the 24 well winter drilling program. Excelsior has contracted a management company and a core drilling rig. Drilling will commence in December 2007.

At Surmont the Company completed the acquisition of 72.5 kilometers of 2D seismic using a helicopter-supported acquisition team. Helicopter seismic allowed the Company to accelerate the exploration core drilling program into the 2007/2008 winter drilling season. The Company plans to drill 9 - 12 wells prior to March 31, 2008. Acquiring summer seismic in 2007 accelerated pilot-project planning by approximately 12 months.

Excelsior initiated a program to re-process 300 km² of 3D seismic on its UK North Sea licence in the fourth quarter of 2007. The cost of this program, including a feasibility study, is budgeted to be \$550,000 prior to 2009.

SUMMARY OF QUARTERLY RESULTS

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 were incorrect and not in accordance with Canadian generally accepted accounting principles. The transactions for which restatement was required occurred, and were initially accounted for, prior to the amalgamation on September 6, 2006 and 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. Amounts related to these transactions, as restated, were included in the audited financial statements as at December 31, 2006.

Amounts related to the following transactions were restated in the period in which the transaction occurred:

- Stock based compensation expense was overstated as a result of errors 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. In aggregate for 2006, as applicable by quarter, stock based compensation expense was reduced by \$565,682, share capital was reduced by \$397,999 and contributed surplus was reduced by \$167,683.
- 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 interim periods, should have been capitalized or charged against shareholders' equity. Restatement of the following amounts are in aggregate for 2006 and were restated in the interim period in which the transaction occurred:
 - general and administrative expenses were reduced by \$262,646;
 - operating costs were reduced by \$46,880;
 - depletion and depreciation were reduced by \$15,626;
 - share capital at December 31, 2006 was reduced by \$47,320; and
 - petroleum and natural gas properties at December 31, 2006 was unchanged although the carrying value of the properties during the interim periods varied from those previously reported by \$277,832;
- Cash was increased and general and administrative expenses were reduced by \$43,063 in the quarter ended September 30, 2006 resulting from a duplicate entry.
- Recognition of certain net revenues for the quarter ended June 30, 2006 was inadvertently duplicated. Consequently, for that quarter, revenue was reduced by \$20,893, royalty expense was reduced by \$12,330, operating costs was reduced by \$1,518 and accounts receivable was reduced by \$7,045.

Selected Quarterly Information

	Three months ended			
	Sept 30, 2007	June 30, 2007	Mar. 31, 2007	Dec. 31 2006
Revenue	\$16,537	\$27,866	\$31,954	\$8,900
Stock based compensation expense	2,902,285	91,006	97,362	-
General and administrative expense	316,607	258,786	236,441	444,953
Cash used in operating activities	(190,641)	(349,523)	(218,393)	(442,483)
Net and comprehensive loss	\$(3,030,554)	\$(319,607)	\$(304,103)	\$(2,296,200)
Loss/share	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.08)

	Three months ended				
		Sept. 30, 2006 As Originally Filed	June 30, 2006 As Originally Filed	March 31, 2006 As Originally Filed	Dec. 31, 2005 As Originally Filed
Revenue		\$27,064	\$62,482	\$19,275	\$87,890
Stock based compensation expense		-	-	149,869	560,989
General and administrative expense		815,679	332,605	270,705	286,090
Cash used in operating activities		(667,873)	(373,518)	(358,014)	(199,129)
Net and comprehensive loss		\$(806,852)	\$(275,444)	\$(455,234)	\$(800,029)
Loss/share		(\$0.02)	(\$0.01)	(\$0.01)	(\$0.05)

	Three months ended				
		Sept. 30, 2006 Restated	March 31, 2006 Restated	Dec. 31, 2005 Restated	Sept. 30, 2005
Revenue		\$27,064	\$19,275	\$87,890	\$105,538
Stock based compensation expense		-	78,171	67,005	13,680
General and administrative expense		708,547	225,927	286,090	114,802
Cash used in operating activities		(560,741)	(297,610)	(183,503)	3,719
Net and comprehensive loss		\$(684,094)	(323,132)	(290,419)	(50,904)
Loss/share		(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)

The interim financial statements have been reclassified to conform to the current period's presentation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls that occurred during the most recent interim period ended September 30, 2007 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.