

EXCELSIOR ENERGY LIMITED

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2007 AND 2006**

EXCELSIOR ENERGY LIMITED

CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 3,877,069	\$ 3,965,957
Accounts receivable	625,654	224,252
Marketable securities	3,750	2,010
	4,506,473	4,192,219
Petroleum and natural gas properties (note 4)	2,946,058	571,937
Property and equipment (note 5)	26,055	28,903
	\$ 7,478,586	\$ 4,793,059
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 295,654	\$ 270,607
Asset retirement obligation (note 6)	4,795	4,707
	300,449	275,314
SHAREHOLDERS' EQUITY		
Share capital (note 7)	12,469,839	9,602,706
Contributed surplus (note 7)	380,044	282,682
Deficit	(5,671,746)	(5,367,643)
	7,178,137	4,517,745
	\$ 7,478,586	\$ 4,793,059

See accompanying notes to the interim consolidated financial statements.

EXCELSIOR ENERGY LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)

Three months ended March 31	2007	2006 (Restated - note 3)
REVENUE		
Gas revenue	\$ 31,954	\$ 19,275
Royalties	(9,059)	(21,575)
Other revenue	26,069	6,732
	48,964	4,432
EXPENSES		
Operating expenses	1,828	1,639
General and administrative	236,441	225,927
Stock-based compensation (note 7)	97,362	78,171
Depreciation, depletion and accretion	17,436	26,736
	353,067	332,473
LOSS BEFORE THE FOLLOWING ITEMS	(304,103)	(328,041)
Net income from discontinued operations (note 8)	-	4,909
NET AND COMPREHENSIVE LOSS	(304,103)	(323,132)
DEFICIT, beginning of period	(5,367,643)	(1,968,281)
DEFICIT, end of period	\$(5,671,746)	\$(2,291,413)
LOSS PER SHARE (note 9)	\$ (0.01)	\$ (0.01)

See accompanying notes to the interim consolidated financial statements.

EXCELSIOR ENERGY LIMITED

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

Three months ended March 31	2007	2006 (Restated - note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Continuing Operations		
Loss from continuing operations	\$ (304,103)	\$ (328,041)
Items not affecting cash:		
Depreciation, depletion and accretion	17,436	18,634
Stock-based compensation	97,362	78,171
Unrealized gain in marketable securities	(1,740)	-
	(191,045)	(231,236)
Changes in non-cash working capital items:		
Accounts receivable	15,133	(51,982)
Prepays and deposits	-	627
Accounts payable and accrued liabilities	(42,481)	(35,494)
	(218,393)	(318,085)
Discontinued Operations		
Net income from discontinued operations (note 8)	-	4,909
Items not affecting cash		
Depletion from discontinued operations	-	8,102
Bad debts	-	31,840
Changes in non-cash working capital items		
Assets held for sale	-	(24,376)
	(218,393)	(297,610)
CASH FLOWS FROM INVESTING ACTIVITIES		
Petroleum and natural gas properties	(2,388,621)	58,365
Changes in accounts receivable	(416,533)	-
Changes in accounts payable and accrued liabilities	22,472	-
	(2,827,628)	58,365
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of share capital net of costs	2,867,133	877,045
Changes in accounts payable and accrued liabilities	90,000	-
Changes in prepaids and deposits	-	100,000
	2,957,133	977,045
CHANGE IN CASH POSITION	(88,888)	737,800
CASH and cash equivalents, beginning of period	3,965,957	3,200,960
CASH and cash equivalents, end of period	\$ 3,877,069	\$ 3,938,760
Cash and cash equivalents consist of		
Cash on deposit	\$ 2,377,069	\$ 3,938,760
Term deposits	1,500,000	-
	\$ 3,877,069	\$ 3,938,760
NON-CASH TRANSACTIONS		
Share issue costs settled by issuance of shares	\$ -	\$ 245,000
Accounts payable settled by issuance of shares	-	37,499
Cost of petroleum and natural gas asset purchase settled by issuance of shares	\$ -	\$ 55,000

See accompanying notes to the interim consolidated financial statements.

EXCELSIOR ENERGY LIMITED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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1. BASIS OF PRESENTATION

The interim consolidated financial statements of Excelsior Energy Limited (“Excelsior” or the “Company”) for the three month periods ended March 31, 2007 and 2006 are presented in accordance with Canadian generally accepted accounting principles (“GAAP”). These interim consolidated financial statements do not conform in all respects to the requirements of GAAP for annual financial statements and should be read in conjunction with Excelsior’s financial statements and the notes thereto for the 15 month period ended December 31, 2006.

Excelsior was formed upon amalgamation of Qeva Group Inc. (“Qeva”) and Excelsior Energy Limited (“Excelsior Ltd.”) on September 6, 2006. The Company’s primary business activity is domestic and international exploration and development of petroleum and natural gas properties. The Company has property in Alberta and property in the North Sea through its wholly owned subsidiary Excelsior Energy North Sea Limited.

After the date of the amalgamation, the directors of the Company resolved to adopt a new year-end of December 31, which was to conform to the most common year end of similar junior oil and gas corporations and more convenient shareholder reporting periods.

2. CHANGE IN ACCOUNTING POLICY

Financial Instruments, Comprehensive Income, Hedges and Equity

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3865, *Hedges*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments Disclosure and Presentation*. These new Handbook Sections provide recommendations governing the recognition and measurement of financial instruments and the reporting of gains or losses in the financial statements.

Under Section 3855, all financial instruments are initially measured on the balance sheet at fair value. Subsequent measurement of the financial instruments is based on their classification and gains and losses are recognized in net income or other comprehensive income. The Company has made the following classifications:

- Cash and cash equivalents and marketable securities are classified as assets held for trading. They are measured at fair value and the gains and losses resulting from the remeasurement at the end of each period are recognized in net income.
- Accounts receivable are classified as loans and receivables. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measures are recorded at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts.
- Accounts payable and accrued liabilities are classified as other liabilities. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measures are recorded at amortized cost.

EXCELSIOR ENERGY LIMITED

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2. CHANGE IN ACCOUNTING POLICY (continued)

Financial Instruments, Comprehensive Income, Hedges and Equity (continued)

Section 1530 establishes standards for reporting and presentation of comprehensive income which is defined as the change in the equity of a company arising from transactions, events and circumstances not related to shareholders. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period.

Section 3865 sets out standards specifying when and how an entity can use hedge accounting. The adoption of this new standard is optional. It offers entities the possibility of applying different reporting options than those set out in Section 3855, to qualifying transactions that they elect to designate as hedges for accounting purposes. The Company has not entered into any hedging contracts.

Carrying value and fair value of financial assets and liabilities at March 31, 2007 are summarized as follows:

Classification	Carrying Value	Fair Value
Held for trading	\$ 3,879,079	\$ 3,880,819
Loans and receivables	625,654	625,654
Other liabilities	295,654	295,654

For the three month period ended March 31, 2007, the Company incurred an increase of \$1,740 in marketable securities based on an increase in the fair market value. This gain has been taken into net loss for the period. No adjustments were made as a result of initial adoption of the policies at January 1, 2007.

Accounting Changes

Effective January 1, 2007, the Company adopted the revised recommendations of Section 1506, *Accounting Changes*. The new recommendations permit voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance will be applied for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors in periods beginning on or after January 1, 2007.

Foreign Currency Translation

The Company uses the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiary. Under this method, monetary items denominated in a foreign currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the determination of earnings.

EXCELSIOR ENERGY LIMITED

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3. RESTATEMENT

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. 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 in 2006.

The following transactions required restatement in the period ended March 31, 2006:

- 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.
- Certain fees for share issuances, and capital costs relating to a North Sea asset, all of which were expensed in the interim periods, should have been capitalized or charged against shareholders' equity.

Effects of the restatement by line item follow:

Unaudited Statement of Operations and Deficit

	Three Months Ended March 31, 2006 As Previously Reported	Impact of Restatements	Three Months Ended March 31, 2006 Restated
Operating expenses	\$ 17,265	\$ (15,626)	\$ 1,639
Stock-based compensation	149,869	(71,698)	78,171
General and administrative expenses	270,705	(44,778)	225,927
Net and comprehensive loss	\$ (455,234)	\$ 132,102	\$ (323,132)
Loss per share	\$(0.01)		\$(0.01)

EXCELSIOR ENERGY LIMITED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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3. RESTATEMENT (continued)

Unaudited Statements of Cash Flows

	Three Months Ended March 31, 2006 As Previously Reported	Impact of Restatements	Three Months Ended March 31, 2006 Restated
Operating Activities:			
Net loss from continuing operations	\$ (460,143)	\$ 132,102	\$ (328,041)
Stock-based compensation	149,869	(71,698)	78,171
Cash flow from operating activity	(358,014)	60,404	(297,610)
Investing Activities:			
Petroleum and natural gas properties	73,991	(15,626)	58,365
Cash flow from investing activity	73,991	(15,626)	58,365
Financing Activities:			
Issuance of share capital	921,823	(44,778)	877,045
Cash flow from financing activity	\$ 1,021,823	\$ (44,778)	\$ 977,045

4. PETROLEUM AND NATURAL GAS PROPERTIES

	Cost	Accumulated Depletion and Depreciation	March 31, 2007 Net	Dec. 31, 2006 Net
Canada	\$ 3,265,527	\$ 504,436	\$ 2,761,091	\$ 385,260
North Sea	1,721,486	1,536,519	184,967	186,677
	\$ 4,987,013	\$ 2,040,955	\$ 2,946,058	\$ 571,937

No overhead charges have been capitalized to petroleum and natural gas properties.

Costs for unproven properties in the amount of \$2,581,307 (2006 - \$186,677) were excluded in the costs subject to depletion and depreciation representing costs in the North Sea and the oil sands project in Northern Alberta.

EXCELSIOR ENERGY LIMITED

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5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	March 31, 2007 Net	Dec. 31, 2006 Net
Furniture and fixtures	\$ 9,362	\$ 1,055	\$ 8,307	\$ 8,744
Computer equipment	17,239	3,345	13,894	15,020
Computer software	6,989	3,135	3,854	5,139
	\$ 33,590	\$ 7,535	\$ 26,055	\$ 28,903

6. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

	3 months ended March 31, 2007	15 months ended December 31, 2006
Asset retirement obligation, beginning of period	\$ 4,707	\$ -
Liabilities incurred	-	4,273
Accretion expense	88	434
Asset retirement obligation, end of period	\$ 4,795	\$ 4,707

The Company has estimated the total undiscounted amount required to settle the asset retirement obligations to be \$11,760 (2006 - \$11,760). These obligations will be settled at the end of the useful life of the underlying asset, which currently extends up to 13 years into the future. This amount has been discounted using a credit-adjusted risk-free interest rate of 7.5% (2006 - 7.5%) and an inflation rate of 2.79% (2006 - 2.79%)

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NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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7. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares issuable in series

(b) Changes in share capital

	Number	Amount
Balance September 30, 2005	12,445,270	1,949,820
Issuance to pay accounts payable for a director (note 7b i)	325,000	32,500
Common shares issued for cash (note 7b ii)	9,981,992	1,330,244
Issuance of shares for private placement finder's fee (note 7b ii)	750,000	150,000
Common shares issued for private placement (note 7b iii)	33,333	5,000
Common shares issued for cash (note 7b iv)	7,220,000	2,094,158
Costs of issuance of private placement (note 7b iv)	275,000	96,250
Issuance to purchase the Hastings property (note 7b v)	714,286	250,000
Issuance of shares for finder's fee of P&NG assets (note 7b v)	157,142	55,000
Common shares issued for cash (note 7b vi)	2,780,000	782,124
Issuance of shares for brokers' due diligence (note 7b vi)	71,428	25,000
Shares purchased by officers and directors (note 7b vii)	516,667	77,499
Common shares issued for exercise of warrants (note 7b viii)	4,919,329	983,856
Contributed surplus on exercise of warrants (note 7b viii)	-	4,069
Common shares issued from exercise of options (note 7b ix)	350,000	42,500
Contributed surplus on exercise of options (note 7b ix)	-	10,120
Common shares issued pursuant to farm-in agreement (note 7b x)	1,000,000	350,000
Common shares issued for exercise of warrants (note 7b xi)	17,750	7,988
Contributed surplus on exercise of warrants (note 7b xi)	-	330
Balance upon amalgamation September 7, 2006	41,557,197	8,246,458
Exchange of Qeva Group Inc. shares for shares of the Company at 3:1 (note 7b xii)	13,852,399	8,246,458
Shares issued upon amalgamation (note 7b xii)	13,703,619	1,660,979
Common shares issued from exercise of options (note 7b xiii)	66,667	20,000
Contributed surplus on exercise of options (note 7b xiii)	-	3,420
Common shares issued from exercise of warrants (note 7b xiv)	750	787
Contributed surplus on exercise of warrants (note 7b xiv)	-	62
Common shares issued for cash (note 7b xv)	46,666	21,000
Cancelled on expiry of farm-in agreement (note 7b x)	(333,333)	(350,000)
Balance December 31, 2006	27,336,768	9,602,706
Common shares issued for cash (note 7b xvi)	9,293,332	2,867,133
Balance March 31, 2007	36,630,100	\$ 12,469,839

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NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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7. SHARE CAPITAL (continued)

(b) Changes in share capital (continued)

- (i) During the period ended December 31, 2006 a director was issued 325,000 common shares at a deemed value of \$0.10 in exchange for the forgiveness of an accounts payable balance valued at \$32,500.
- (ii) In November 2005, common shares were issued through a private placement. The Company issued 9,981,992 units at a price of \$0.15 per unit resulting in proceeds net of issue costs and fair values attributed to warrants of \$1,330,244. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitled the holder to acquire one common share at an exercise price of \$0.20 per share until August 15, 2006. The fair value of the warrants was estimated to be \$4,128 using the Black-Scholes fair value option pricing model, assuming an expected volatility of 25% and a risk free interest rate of 3.75%. Net proceeds of \$649,715 were immediately released to the Company and the balance was held in escrow. The terms of the escrow agreement stated that the funds were to be released to the Company upon resumption of trading of shares. During the second quarter of 2006, all of the shareholders released the Company from the escrow provision and the escrowed funds were therefore released to the Company. Trading of the Company's shares resumed on April 11, 2006. Costs in the amount of \$150,000 relating to this share issuance have been settled through issuance of 750,000 common shares.
- (iii) In November 2005, common shares were issued through a private placement. The Company issued 33,333 common shares at a price of \$0.15 per share for proceeds of \$5,000.
- (iv) In December 2005, common shares were issued through a brokered private placement. The Company issued 7,220,000 units at a price of \$0.35 per unit for proceeds net of issue costs and fair values attributed to warrants and broker unit warrants of \$2,094,158. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.45 per share until May 30, 2007. The fair value of the warrants was estimated to be \$86,891 (including broker warrant units valued at \$19,865) using the Black-Scholes fair value option pricing model, assuming an expected volatility of 25% and a risk free interest rate of 3.75%. The Company has the right to accelerate the exercise of the warrants should the stock trading price of the Company's common shares exceed \$0.70 per share over a period of 30 consecutive trading days. Additional share issue costs in the amount of \$96,250 were settled through the issuance of 275,000 common shares. The brokers were also issued warrants to purchase 722,000 units at a price of \$0.35 per unit until May 30, 2007. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.45 per share.

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7. SHARE CAPITAL (continued)

(b) Changes in share capital (continued)

- (v) In November 2005, the Company entered into a Purchase Agreement with an unrelated third party to acquire producing oil and gas assets. Share consideration, representing a portion of the total consideration, consisted of the issuance of 714,286 common shares at \$0.35 per share. A finder's fee in the amount of \$55,000 related to this transaction was settled by issuance of 157,142 common shares.
- (vi) In February 2006, common shares were issued through a brokered private placement. The Company issued 2,780,000 units at a price of \$0.35 per unit for proceeds net of issue costs and fair values attributed to warrants and broker unit warrants of \$782,124. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.45 per share until August 3, 2007. The fair value of the warrants was estimated to be \$40,307 (including broker warrant units valued at \$14,376) using the Black-Scholes fair value option pricing model, assuming an expected volatility of 25% and a risk free interest rate of 3.75%. The Company has the right to accelerate the exercise of the warrants should the stock trading price of the Company's common shares exceed \$0.70 per share or greater over a period of 30 consecutive trading days. The brokers were also issued warrants to purchase 278,000 units at a price of \$0.35 per unit until August 3, 2007. Additional share issue costs in the amount of \$25,000 have been settled by issuing 71,428 common shares.
- (vii) In February 2006, 516,667 shares were issued to officers and directors for cash proceeds of \$40,000 and settlement for services rendered valued at \$37,499.
- (viii) During the period ended December 31, 2006, warrants were exercised and the Company issued 4,919,329 common shares at \$0.20 per share for proceeds of \$983,586. The issuance of the warrants resulted in a reduction of contributed surplus and increase in share capital of \$4,069.
- (ix) During the period ended December 31, 2006, options were exercised and the Company issued 350,000 common shares for proceeds of \$42,500. The issuance of the options resulted in a reduction of contributed surplus and increase in share capital of \$10,120.
- (x) In November 2005 the Company entered into a farm-in agreement for a licence in the North Sea whereby a portion of the consideration consisted of the issuance of 1,000,000 common shares at \$0.35 per share. In December 2006, the shares which had been exchanged for Excelsior shares on a 1 for 3 basis, were cancelled as the farm-in agreement was terminated.
- (xi) In July 2006 warrants were exercised and the Company issued 17,750 common shares at a price of \$0.45 per share for proceeds of \$7,988. The issuance of the warrants resulted in a reduction in contributed surplus and increase in share capital of \$330.

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7. SHARE CAPITAL (continued)

(b) Changes in share capital (continued)

- (xii) The amalgamation of Qeva and Excelsior Ltd. on September 7, 2006, resulted in Qeva shareholders being issued one share of the Company for every three shares they held in Qeva. This resulted in the issuance of 13,852,399 shares of the Company.

The amalgamation of Qeva and Excelsior Ltd, during the fourth quarter, resulted in Excelsior Ltd. shareholders being issued 1.1153 shares of the Company for every one share they held in Excelsior Ltd. This resulted in the issuance of 13,703,619 shares of the Company for a value of \$1,660,979 net of costs of the amalgamation.

- (xiii) During the period ended December 31, 2006, options were exercised and the Company issued 66,667 common shares for proceeds of \$20,000. The issuance of the options resulted in a reduction of contributed surplus and increase in share capital of \$3,420.
- (xiv) During the period ended December 31, 2006, warrants were exercised and the Company issued 750 common shares at \$0.20 per share for proceeds of \$787. The issuance of the warrants resulted in a reduction of contributed surplus and increase in share capital of \$62.
- (xv) During the period ended December 31, 2006, the Company issued 46,666 units at a price of \$0.45 per unit for proceeds of \$21,000 in 2006. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share until May 30, 2007.
- (xvi) In March, 2007, the Company closed a non-brokered private placement, issuing 6,275,332 common shares at \$0.30 per share and 3,018,000 flow-through common shares at \$0.40 per share for proceeds net of issue costs of \$2,867,133.

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7. SHARE CAPITAL (continued)

(c) Stock options

The Company has established a stock option plan under which it may grant options to directors, officers and employees up to 10% of the issued and outstanding common shares.

The assumptions for the options issued during the periods were as follows:

	2007	2006
Risk free interest rate	3.89%	3.75%
Expected life	4.9 years	3.8 – 3.9 years
Expected volatility	113%	25%
Dividend yield	0%	0%

	March 31, 2007		December 31, 2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,399,341	\$ 0.25	1,033,100	\$ 0.10
Granted	700,000	0.45	2,250,000	0.22
Exercised	-	-	(350,000)	0.11
Cancelled	-	-	(233,100)	0.10
	2,099,341	\$ 0.32	2,700,000	0.19
Exchange of Qeva Group Inc. options for options of the Company 3:1	-	-	900,000	0.58
Expired	-	-	(750,000)	0.56
Exercised	-	-	(66,667)	0.30
Options exchanged upon amalgamation	-	-	1,316,008	0.20
Outstanding, end of period	2,099,341	\$ 0.32	1,399,341	\$ 0.25

The following table summarizes the option vesting and expiration as at March 31, 2007.

Exercise Price	Options Outstanding	Options Exercisable	Remaining Life (years)
\$1.05	83,333	83,333	2.8
0.20	1,204,482	802,988	2.6
0.20	111,526	37,175	2.9
0.45	700,000	233,333	4.9
	2,099,341	1,156,829	

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7. SHARE CAPITAL (continued)

(d) Warrants

The fair value of each warrant was estimated using the Black-Scholes fair value option pricing model with the following assumptions: expected volatility of 25% and risk-free interest rate of 3.75%.

	March 31, 2007		December 31, 2006	
	Warrants Outstanding	Exercise Price	Warrants Outstanding	Exercise Price
Balance, beginning of period	2,017,041	\$ -	-	\$ -
Private Placement	-	-	4,990,996	0.20
Brokered Private Placement	-	-	5,000,000	0.45
Warrants exercised	-	-	(4,919,329)	0.20
Warrants exercised	-	-	(17,750)	0.45
Warrants expired during the period	-	-	(71,667)	0.20
Broker unit warrants	-	-	1,000,000	0.35
	2,017,041		5,982,250	
Exchange of Qeva Group Inc. warrants for warrants of the Company 3:1	-	-	1,994,083	1.30
Private placement	-	-	23,333	0.60
Exercise of broker unit warrants	-	-	(750)	1.05
Broker warrants	-	-	375	1.35
Balance, end of period	2,017,041		2,017,041	

The following table summarizes the warrant vesting and expiration as at March 31, 2007.

Exercise Price	Warrants Outstanding	Warrants Exercisable	Remaining Life (years)
\$1.35	1,197,417	1,197,417	0.2
1.35	463,333	463,333	0.4
1.05	239,917	239,917	0.2
1.05	92,666	92,666	0.4
0.60	23,333	23,333	0.2
1.35	375	375	1.0
	2,017,041	2,017,041	

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7. SHARE CAPITAL (continued)

(e) **Contributed surplus**

	3 Months Ended March 31, 2007	15 Months Ended December 31, 2006
Balance, beginning of period	\$ 282,682	\$ 24,180
Stock-based compensation	97,362	145,176
Fair value of warrants	-	131,327
Warrants exercised into common shares	-	(4,461)
Options exercised into common shares	-	(13,540)
Balance, end of period	\$ 380,044	\$ 282,682

8. NET INCOME FROM DISCONTINUED OPERATIONS

In November, 2005, the Company signed an agreement to sell its interest in its Forgan West oil field properties. The effective date of this agreement was October 1, 2005. The sale closed on June 15, 2006. Accordingly, the property was treated as an asset held for sale and net income from this property disclosed separately.

The effect of the assets held for sale on the statement of operation is:

	3 Months Ended March 31, 2007	3 Months Ended March 31, 2006
Revenue	\$ -	\$ 95,323
Royalties	-	(9,890)
Operating expenses	-	(40,582)
Bad debt expense	-	(31,840)
Depletion	-	(8,102)
	\$ -	\$ 4,909

9. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated to reflect the dilutive effect of stock options and warrants outstanding. Loss per share is calculated as follows:

	3 months ended March 31, 2007		
	Net Loss	Shares	Net Loss Per Share
Basic and diluted	\$ (304,103)	28,266,101	\$(0.01)

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9. LOSS PER SHARE (continued)

	3 months ended March 31, 2006		
	Net Loss	Shares	Net Loss Per Share
Basic and diluted	\$ (323,132)	32,762,826	\$ (0.01)

10. RELATED PARTY TRANSACTIONS

During the three month period ended March 31, 2007, the Company paid consulting fees in the amount of \$nil (2006 - \$50,000) 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 an officer of the Company is a partner. During the period ended March 31, 2007 the Company expended \$34,077 (2006 - \$nil) in legal fees.

Officers and directors were issued 516,667 common shares of Qeva for proceeds of \$40,000 and settlement for services valued at \$37,499 (note 7b vii) during the period ending December 31, 2006.

A director was issued 325,000 common shares of Qeva during the 15 month period ended December 31, 2006 value at \$32,500 (note 7b i) to satisfy an amount payable to companies controlled by the director. The amount was non-interest bearing with no specific terms of repayment.

11. COMMITMENTS

In February, 2007, the Company executed a farm-in agreement to earn a 52.5% interest in a Hangingstone oil sands property south of Fort McMurray. Excelsior made an initial payment of \$1.4 million cash and committed to issue 2,333,333 common shares priced at \$0.30 per share to satisfy the initial consideration of \$2.1 million. These common shares were issued in May, 2007. Excelsior has an option to earn up to 52.5% working interest over the next year by paying consideration of \$15.8 million comprised of a \$4.2 million bonus, paid in Excelsior common shares, and cash of \$11.6 million for land and drilling costs for up to 24 evaluation wells. Excelsior has undertaken an equity financing to fulfill these commitments (note 12).

The Company issued 200,000 common shares for a finder's fee on the farm-in agreement for the Hangingstone oil sands property in May 2007. An additional 300,000 common shares will be issued when Excelsior elects to increase its working interest pursuant to the farm-in agreement.

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12. SUBSEQUENT EVENTS

Subsequent to March 31, 2007, under the terms of the Company's Stock Option Plan, the Board of Directors approved the grant of 450,000 stock options to purchase common shares exercisable at \$0.40 per share, to management.

In May, 2007 the Company entered into a letter of intent to acquire up to an additional 22.5% working interest in its Hangingstone oil sands asset, near Fort McMurray, Alberta, to increase Excelsior's interest to up to 75% after fulfilling all its farm-in earning obligations. Excelsior will acquire all the shares of a private company ("PrivateCo") in exchange for the consideration outlined below. In addition to its Hangingstone interest, PrivateCo has approximately \$1,250,000 in working capital. The transaction contemplates the issuance of up to 16 million common shares of Excelsior with a deemed value of \$0.58 per share based on the following events:

- (a) 6.66 million common shares of Excelsior will be issued to acquire the common shares of PrivateCo upon closing of the transaction pursuant to a purchase and sale agreement; and
- (b) 9.34 million common shares or securities convertible into common shares of Excelsior will be issued upon certain performance thresholds being met and exceeded over a three year period.

Upon closing the acquisition of PrivateCo, Excelsior has an option to earn up to an additional 22.5% working interest over the next year by paying additional consideration of \$6.8 million in cash for land and drilling costs. Excelsior has undertaken an equity financing to fulfill these commitments.

Excelsior entered into an agreement on May 25, 2007, to issue, on a private placement "best efforts" agency basis, an aggregate of up to \$20,000,000, comprised of units issued at a subscription price of \$0.85 per Unit (to a maximum of 14,117,647 Units) and common shares issued on a "flow-through" basis at a price of \$1.05 per flow-through share (to a maximum of 7,619,048 flow-through shares). Each Unit is comprised of one common share in the capital of the Company and one common share purchase warrant (a "Warrant") of the Company, with each Warrant entitling the holder thereof to acquire an additional 0.05 common share at no additional cost should the common shares of the Company not be listed and posted for trading on the TSX Venture Exchange on or before the expiration of 120 days from the closing of the private placement. If successful the equity financing will allow Excelsior to earn its 75% working interest pursuant to the farm-in agreement for the Hangingstone oil sands property.

13. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform with the current periods presentation.