

**EXCELSIOR ENERGY LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

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 3 month period ended March 31, 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 May 25, 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 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

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 the 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 02, 2006, and available on SEDAR.

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 entered into a farm-in agreement for up to 52.5% working interest in oil sands exploration and appraisal in the Hangingstone Oil Sands near Fort McMurray, Alberta in February, 2007. In April, Excelsior executed a letter of intent to acquire up to an additional 22.5% working interest in its Hangingstone oil sands asset. With successful execution of a purchase and sale agreement for the additional 22.5% working interest, Excelsior has an option to earn 75% working interest in 39 contiguous sections of land upon completion of its farm-in obligations. The Company's financial obligations within the farm-in agreement in the next year totals \$22,600,000 payable in cash (\$18,400,000) and issuance of common shares for land, seismic and a drilling program. The first stage of the project was acquisition of 134 kilometres of 2D seismic to tie the existing wells and to delineate the size and number of potential SAGD oil sand pods. The seismic is currently being interpreted to identify drilling locations. An evaluation well program of up to 24 wells is planned to be completed in the winter 2007/08 to further delineate the SAGD Pods.

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 has undertaken an equity financing in the second quarter of 2007 to fund the capital budget for the Hangingstone property and the UK North Sea over the next year.

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 began trading on the Canadian Trading and Quotation System Inc. on September 8, 2006 under the trading symbol EXEL.

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

Selected Information

Three months ended March 31	2007	2006 (restated)
Gas revenue	\$ 31,954	\$ 19,275
General and administrative expense	236,441	225,927
Net and comprehensive loss	(304,103)	(323,132)
Loss/share	(\$0.01)	(\$0.01)
Cash flows used in continuing operations	\$ (218,393)	\$ (318,085)
Weighted average number of shares outstanding	28,266,101	32,762,826

Gas revenue

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 52 mcf (net to Excelsior) for the 3 month period ended March 31, 2007 (2006 – 73 mcf) at an average price of \$6.85 per mcf (2006 - \$2.92 per mcf). Crown royalties of \$9,059 averaged 28% of revenue (2006 – 112%). Operating costs of \$1,828 averaged \$0.39 per mcf (2006 - \$0.25 per mcf). Depletion for the Hastings property was calculated at a rate of \$3.10 per mcf in 2007 totalling \$14,500 (2006 - \$4.05 per mcf, totalling \$26,736).

Other revenue of \$26,069 (2006 - \$6,732) was interest income generated by funds held in short term deposits and \$1,740 unrealized gain on marketable securities.

General and Administrative Expenses

General and administrative expenses were \$236,441 for the period ended March 31, 2007 compared to \$225,927 in 2006. The Company had two full time employees in the first quarter of 2007 but utilized consultants in 2006 to manage operations. Legal and audit fees were \$76,000 in 2007 and \$60,000 in 2006 relating to costs associated with administration of a public company. In 2007 the Company has engaged its external auditors to review the interim period financial statements.

Stock based compensation

Stock based compensation was \$97,362 in 2007 and \$78,171 in 2006 for 700,000 (\$0.45 exercise price) and 750,000 (\$0.35 exercise price) stock options granted in the respective three month periods. The stock options in 2006 vested immediately with the entire fair value of the stock options recorded in the quarter. The stock options in 2007 vest 2/3 in the first year and 1/3 in the second year, with a higher fair value assigned due to higher volatility in market price (113%)

than 2006, when the stock was not trading on a public market, and a lower volatility (25%) was estimated.

Capital expenditures

Petroleum and natural gas properties increased to \$2,946,058 in 2007 from \$571,937 at December 31, 2006. Expenditures in the three month period ended March 31, 2007 were for the initial consideration pursuant to the Hangingstone oil sands property farm-in agreement of \$1,400,000 cash and for \$980,000 seismic program. Capital expenditures for the three month period ended March 31, 2006 reflected adjustments to the purchase price of the Hastings property acquired in the fourth quarter of 2005.

Asset retirement obligation

Asset retirement obligations increased to \$ 4,795 in 2007 from \$4,707 at December 31, 2006. The asset retirement obligation represents the estimate for, and accumulated accretion of, the working interest in one well at Hastings, Alberta.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2007 the Company had working capital of \$4,210,819 (December 31, 2006 - \$3,921,612) which included \$3,877,069 of cash and cash equivalents (2006 - \$3,965,957).

The Company's primary source of cash for the three month period ended March 31, 2007 was funds received from the sale of common shares through a private placement. On March 23, 2007 the Company completed an equity financing to fund initial capital requirements for the Hangingstone and UK North Sea prospects. The Company issued 6,275,322 common shares at \$0.30 per share and 3,018,000 flow-through common shares at \$0.40 per share for net proceeds of \$2,867,133.

At May 25, 2007 Excelsior had 39,163,433 common shares outstanding.

There are 2,549,341 stock options and 2,017,041 warrants to purchase common shares of the Company as of May 25, 2007.

At March 31, 2007 the Company has no debt or credit facilities. The Company has entered into an agreement for the provision of office space until November 2007.

The Company entered into a farm-in agreement for up to 52.5% working interest in the Hangingstone oil sands property near Fort McMurray, Alberta in February, 2007 and in April, 2007 executed a letter of intent to acquire up to an additional 22.5% working interest. With successful execution of a purchase and sale agreement, Excelsior has an option to earn 75% working interest in 39 contiguous sections of land at Hangingstone upon completion of its farm-in

obligations. The Company estimates the capital requirements for the Hangingstone property and UK North Sea licence over the year will be approximately \$23,100,000.

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 and fund the seismic re-interpretation in the North Sea.

INCOME TAXES

The Company has loss carry-forwards totalling approximately \$2,653,913. 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 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 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 to satisfy an amount payable to companies controlled by the director. The amount was non-interest bearing with no specific terms of repayment.

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 equipments, 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. The Company will be implementing a corporate insurance program common within industry practice in 2007.

Excelsior has undertaken to obtain equity financing for up to \$20.0 million to fund the \$23.1 million capital budget for the UK North Sea licence and the Hangingstone project for remaining land, related costs and a 24 well core drilling program. A successful equity financing will allow Excelsior to earn its 75% working interest pursuant to the farm-in agreement for the Hangingstone property. The Company's ability to raise equity financing will be subject to market conditions.

OUTLOOK

The Company will focus its near-term efforts primarily on the Hangingstone Oil Sands project. The Hangingstone property is located in close proximity to a number of active SAGD Projects which are in various stages of development. JACOS's Hangingstone producing SAGD project and Connacher's Great Divide Project to the southwest, North American Oil Sands Hangingstone Project to the south, and Nexen/Opti's Long Lake Area to the east. All of these large projects are located within 30 kilometres of Excelsior's Hangingstone property.

In April, 2007 the seismic acquisition and processing was completed comprising of 135 kilometres of 2D seismic data and is currently being interpreted. The seismic data is of excellent quality and confirms the presence of thick sections of the McMurray Formation which contains the bitumen saturated sands. We are currently selecting well locations and well site surveys will commence shortly. In preparation for the drilling program we have received proposals from contractors to provide drilling management services and expect to award the contract shortly.

Excelsior anticipates initiating a program to re-process 3D seismic on its UK North Sea licence in 2007. The cost of this program is budgeted to be \$500,000.

Excelsior entered into an agreement on May 25, 2007, on a private placement "best efforts" agency basis, for an equity financing of up to \$20,000,000. 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 and fund the seismic re-processing in the North Sea.

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 were 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 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 September 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.

The total cumulative effect of the foregoing adjustments for the 2006 interim periods was a \$926,852 reduction in the previously reported net loss of \$2,320,433 for the 12 month period ended September 30, 2006.

Selected Quarterly Information

	Three months ended				
		Mar. 31, 2007	Dec. 31 2006	Sept. 30, 2006 As Originally Filed	June 30, 2006 As Originally Filed
Revenue		\$31,954	\$8,900	\$27,064	\$62,482
Stock based compensation expense		97,362	-	-	-
General and administrative expense		236,441	444,953	815,679	332,604
Cash used in operating activities		(218,393)	(442,483)	(667,873)	(351,392)
Net and comprehensive loss		(304,103)	(2,296,200)	(806,852)	(258,318)
Loss/share		(\$0.01)	(\$0.08)	(\$0.02)	(\$0.01)

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

Three months ended	Three months ended				
		March 31, 2006 As Originally Filed	Dec. 31, 2005 As Originally Filed	Sept. 30, 2005	June 30, 2005
Revenue		\$19,275	\$87,890	\$105,538	\$52,027
Stock based compensation expense		149,869	560,989	13,680	-
General and administrative expense		270,705	286,090	114,802	4,065
Cash used in operating activities		(358,014)	(199,129)	3,719	113,221
Net and comprehensive loss		(455,234)	(800,029)	(50,904)	(9,270)
Loss/share		(\$0.01)	(\$0.05)	(\$0.01)	(\$0.00)

	Three months ended				
		March 31, 2006 Restated	Dec. 31, 2005 Restated	Sept. 30, 2005	June 30, 2005
Revenue		\$19,275	\$87,890	\$105,538	\$52,027
Stock based compensation expense		78,171	67,005	13,680	-
General and administrative expense		225,927	286,090	114,802	4,065
Cash used in operating activities		(297,610)	(183,503)	3,719	113,221
Net and comprehensive loss		(323,132)	(290,419)	(50,904)	(9,270)
Loss/share		(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)

The interim financial statements have been reclassified to conform to the presentation in the December 31, 2006 financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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, 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.