

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended May 31, 2014

September 29, 2014

The following is Management's Discussion and Analysis ("MD&A") of the activities, financial condition and results of operations of Excalibur Resources Ltd. ("Excalibur", or the "Company") to enable a reader to assess the financial condition and results of operations of the Company for the year ended May 31, 2014. This MD&A has been prepared as at September 29, 2014 unless otherwise indicated. This MD&A should be read in conjunction with our Consolidated Financial Statements and related notes for the year ended May 31, 2014 ("Consolidated Financial Statements") which have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All monies are expressed in Canadian dollars unless otherwise indicated. Additional information relevant to the activities of the Company, including press releases has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or other conditions, and is based on current expectations that involve a number of business risks, uncertainties and assumptions. Factors that could cause the Company's actual results to differ materially from any forward-looking statements include, but are not limited to: exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in development of any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; failure to raise additional funds required to finance the completion of a project and other factors. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

COMPANY OVERVIEW

Excalibur (Toronto CSE:XBR, Frankfurt:X9CN, and OTCQX:EXCFF) was incorporated on May 11, 1983 pursuant to the Company Act (British Columbia) under the name Cactus West Explorations Ltd. The Company's name was changed to Cimarron Minerals Ltd. and its share capital was consolidated on a five (old) for one (new) basis, on April 29, 1996. On May 1, 2000 the Company's name was changed to DiscFactories Corporation, and its share capital was consolidated on a two (old) for one (new) basis and the Company was continued into the federal jurisdiction under the Canada Business Corporations Act. The Company was extra-provincially registered in the Province of British Columbia on May 30, 2000. On February 20, 2007 the Company completed a change of business transaction pursuant to which it changed its name from DiscFactories Corporation to Excalibur Resources Ltd. On January 11, 2010, share capital was consolidated on an eight (old) for one (new) basis. The Company was registered in the Province of Ontario on January 24, 2011.

The Company holds a 49% interest in a Mexico corporation, "Minera Catanava S.A. de CV."("MCSA" or "Minera Catanava") and an inactive US subsidiary, "Excalibur Resources (US) Inc.", incorporated under laws of the State of Nevada on April 24, 2007.

Excalibur's head office and principal address is located at 8 King St. East, Ste. 1010, Toronto, Ontario, M5C 1B5.

Excalibur is a junior exploration mining company focused on the discovery, development and mining of economically viable precious metal mineral resources.

The Company's current portfolio of properties includes:

- ***Catanava Project***, Mexico – 49% interest in Mexican subsidiary with near-term production located in the Pinos Gold District (one of three bonanza gold districts mined by the Spanish since 1546) ("Catanava")

- ***Cariboo Project***, BC, Canada – 100% interest in claims which are contiguous to the Silver King Mine (the carrying value has been written off)

- ***Sturgeon Lake Project***, ON, Canada – 100% interest in claims located 10 to 15 kilometres east of Sturgeon Lake Mining Camp, the former site of six VMS deposit mines (the carrying value has been written off)

Fiscal 2014 RESULTS

At Catanava:

- Positive cash flow was not achieved primarily due to low recoveries from the gravity-only plant design and the requirement to replace the cone crusher, which curtailed production for six months
- Mineralogical studies and sampling of various veins showing fine gold and silver lead to the recommendation for the installation of a flotation circuit to improve recoveries
- A draft updated 43-101 has been prepared, however, an independent flotation test is required to confirm the economics of the resource
- Poured dore in several tests in a new furnace and post yearend, sold its first concentrate to a local buyer in Manzanillo

Finance and Other Projects:

- The Company added $500,000 to treasury with the issuance of 4,500,000 common shares through two private placements, however, the Company will have to raise additional funds to continue the advancement of Catanava and to pursue additional cash positive projects
- Since a significant amount of capital will be needed to advance the Company's exploration projects in Canada, and presently there is little investor appetite for Canadian junior resource equities (particularly those focused on exploration), Management has decided to discontinue its exploration operations in Canada
- Spent almost $75,000 on due diligence and other costs in order to evaluate other projects with low capital cost requirements, with near-term production and imminent cash flow prospects

Fiscal 2015 STRATEGY AND OBJECTIVES

- Achieve positive cash flow at Catanava
- Continue to improve gold and silver recoveries
- Raise additional funds to meet current obligations, make repairs, purchase equipment and expand operations
- Continue to identify and evaluate additional properties with resources that can be extracted at a low cost and preferably already cash flow positive

OVERALL PERFORMANCE – Financial position, operating results and cash flows

Financial Position

At period end, the Company had $13,452 cash (May 31, 2013 - $1,695,545) and accumulated losses of $15,381,554 (May 31, 2013 -- $12,782,762). Although the Company has commenced early stage production it will continue to incur losses until achieving 'commercial' quantities of production. Management is pursuing several structures of raising additional funds needed to meet ongoing obligations, including the recovery of more than $376,350 of VAT, a convertible debenture, short-term bridge loans and further equity raisings.

During the period, the Company continued to advance the Catanava project to the early production stage. This resulted in the cumulative deferral of $1,552,281 (2013 - $1,404,267) on exploration and development and cumulative expenditure of $177,992 (2013 - $22,974) on property, plant and equipment costs. The largest piece of purchased equipment was a Symons design cone crusher. *(See Project Review).* Trade payables were reduced to $188,587 (compared to $223,414 in 2013). The majority of these expenses are short term and relate to the Mexico operations. All expenditures directly related to the projects are capitalized in accordance with stated accounting policies. Costs of evaluating new or prospective projects are expensed along with general corporate expenditures. Given the current lack of investor interest in the resource sector, the Company has significantly reduced Canadian administration by reducing head count by four people and that has resulted in lower costs for financial consulting, investor relations, office rent and travel costs. This will decrease annual Canadian head office costs by over $300,000. Having stockpiled material for processing at the plant, Catanava has also substantially reduced operating costs by temporarily stopping mine costs including rental of equipment, explosives and personnel.

Operating Results

For the year ended May 31, 2014, excluding a $1,990,491 mineral property impairment loss, overall operating costs continued to decrease with a net loss before other income/expense items, of $821,934 compared to $1,039,577 in the prior year. Excluding non-cash expenses, total expenses were reduced to $396,560 versus $719,585 in 2013. Interest income of $62,338 (2013 - $15,230) was generated from a short term investment held in a Canadian bank and money on deposit in Catanava's bank. The Company recorded a foreign exchange gain of $151,296 (2013 - $13,970); expenses of the Catanava project are incurred in Mexican pesos and are therefore subject to gains and losses due to fluctuations in exchange rates. The Company does not undertake currency hedging activities to mitigate its foreign currency risk due to the infrequency and size of regular transactions. The Company recorded a VAT allowance of $70,565 for long-term VAT that may not be recoverable.

Cash Flows

During the three months and year ended May 31, 2014, the Company issued 4,500,000 common shares for proceeds of $500,000. During the same periods in 2013, 4,833,331 common shares were issued through private placements for proceeds of $1,450,000 and an improved share price resulted in the exercise of 9,425,000 warrants which yielded $1,426,179 to treasury. The exercise of warrants is a preferred method of financing operations for Management as there is little or no cost incurred. Large pieces of machinery and equipment were purchased during the year to replace and/or upgrade inefficient existing equipment for the plant, including cone crusher, flotation cell, etc. and furnace as well as a scooptram for the mine.

SELECTED PERIOD INFORMATION

Financial Position	**May 31, 2014 ($)**	May 31, 2013 ($)	May 31, 2012 ($)
Cash	**13,452**	1,695,545	1,261,841
Prepaid expenses and sundry receivables	**102,993**	50,568	81,286
VAT and HST receivables	**391,752**	289,294	180,626
Exploration and evaluation assets	**4,363,038**	4,731,900	3,045,562
Property, plant & equipment, reclamation bonds and guarantee deposits	**337,322**	270,478	357,320
Total assets	**5,137,992**	7,037,786	4,926,635
Total liabilities	**198,587**	233,414	191,959
Shareholders' equity	**4,939,405**	6,804,372	4,734,676
Deficit	**(15,452,119)**	(12,782,762)	(11,642,917
Operating Results	**Year ended May 31, 2014($)**	Year ended May 31, 2013($)	Year ended May 31, 2012($)
Loss before other items	**(2,812,426)**	(1,039,577)	(1,549,612)
Interest income	**62,338**	15,230	-
Foreign exchange gain (loss)	**151,296**	13,970	(26,500)
VAT allowance	**(70,565)**	-	-
Net loss and comprehensive loss	**(2,669,357)**	(1,010,377)	(1,576,112)
Loss per share – basic and diluted	**$0.034**	$0.014	$.034
Weighted average number of common Shares outstanding – basic and diluted	**79,128,941**	71,996,397	45,642,486
Cash Flows	**Year ended May 31, 2014($)**	Year ended May 31, 2013($)	Year ended May 31, 2012($)
Operations	**(373,818)**	(726,881)	(790,223)
Purchase of equipment	**(186,646)**	(29,256)	(140,930)
Exploration and evaluation assets purchases	**(1,621,629)**	(1,686,338)	(1,018,078)
Financing activities	**500,000**	2,876,179	3,141,174
Net change in cash	**(1,682,093)**	433,704	1,191,943

RESULTS OF OPERATIONS

Financial Review -

After lengthy consideration, Management has elected not to advance the exploration on its Canadian projects, namely Sturgeon Lake, Ontario and Cariboo, British Columbia. Accordingly the Company has expensed the carrying values of these projects in the amounts of $1,629,971 and $360,520 for a total impairment charge of $1,990,491.

Share-based compensation expense increased 49% from $203,894 in 2013 to $304,390 in 2014. These are the fair values allocated to several different stock option grantings. Management believes the granting of stock options is a cost effective way of attracting and incentivizing key personnel and consultants. This cost is calculated using the Black-Scholes option pricing model upon granting stock options and certain parameters of this estimating tool are beyond the control of the Company. Whether or not the stock options will be exercised is also out of Management's control and subject to the investing strategy and objectives of the option Holder.

2014 management and administration fees of $155,474 were 32% lower than the $229,040 spent in 2013; corporate secretarial functions are now being provided in-house and only the CEO is currently retained on a contract basis. Promotional and investor relations expense decreased 58% year-over-year to $139,225 versus $335,237 in 2013 as management eliminated or minimized mining conferences attendances, and broker and investor presentation opportunities (both domestically and abroad) thereby realizing a substantial savings.

With fewer financing transactions occurring during 2014 than in the same period in 2013, regulatory and transfer agent fees decreased by 50% from $60,415 in 2013 to $29,982 in 2014. The Company's provider has also recently offered its services on a new pay-as-you-go basis – this has been designed to offer public companies with a modest number of shareholders access to all the services available to larger public companies but allows them to only pay for what they need and use. This should result in additional savings to the Company.

Office and general expenses and professional and consulting fees were also lower in 2014 compared to 2013 due to the elimination of rent costs and one-time costs of the OTCQX application in 2013.

Project Review –

Catanava – Mexico

History and description of mining at Catanava - *see Consolidated Financial Statements at May 31, 2013 for description, history of prior exploration etc.*

Agreements and Commitments

In September 2010, the Company entered into an agreement with Minera Apolo S.A. de C.V. ("MASA"), hereafter referred to as (the "Agreement") under which the two companies would form a company (MASA 51%/49% Excalibur) called Minera Catanava S.A. de C.V. ("MCSA"). The purpose of MCSA was to develop and commence gold production on the 143 hectare Catanava property within the Municipality of Pinos, State of Zacatecas, Mexico.

Under the terms of the Agreement, MASA would provide the Catanava property to MCSA and Excalibur is provide the financing for a 150 tonne-per-day ("tpd") ball mill. Upon achieving commercial production each party would participate based upon its pro rata share in MCSA.

On September 19, 2013 Excalibur signed an Addendum to the Agreement to which Catanava may acquire an additional 3,157 hectares held by its 51% partner MASA within the Municipality of Pinos, State

of Zacatecas, Mexico, in exchange for the forgiveness of the $2,000,000 of loans that the Company had advanced to finance the construction and operations of the plant. In addition, MASA will receive 2,000,000 shares of Excalibur upon completion of the transfer of the mining claims, when signed, notarized and registered in the Public Mines Registry in Mexico City.

Further commitments include:

i) Payment of US$8,000 per month for rent the old tailings pond area for which the surface land title is held by MASA, after MCSA begins to generate US$100,000 per month in positive cash flow; and

ii) MCSA agrees to increase the production output in the existing plant to 600 tpd over the next three years.

On September 19, 2013 the Company signed a second Addendum to the Agreement whereby it will increase its ownership in the 49% owned MCSA subsidiary, by acquiring an 11% stake from the 51% of the common shares held by its partner MASA, for US$1,000,000 and a 2% Net Smelter Return (NSR) royalty on anything produced in the Pinos District, excluding production from the existing Catanava area with the following condition: the Company will make the cash payments in four installments of US$250,000 over 4 years after Catanava reaches full production of three shifts per day or after reaching production of at least 100 tpd, whichever comes first.

Until then, the Company continues to finance the ongoing exploration and development of the Catanava property.

Expenditures

As at period end, Excalibur has deferred a cumulative total of $4,288,362 for exploration and the construction of the Catanava plant and laboratory, and expended $611,157 for equipment purchases (compared to $2,736,081 for exploration and $433,105 for equipment in 2013). *See Additional Disclosure for Venture Companies without Significant Revenue for a breakdown of these costs.*

Production Update

Once the new cone crusher was installed in September, 3 - 4 tons of ore were processed per hour or approximately 20 tons per day (based on 6 hours per day). A lack of capital and ball mill repairs and fine tuning prevented the addition of 2nd and 3rd shifts. A flotation cell was installed to improve recoveries but more investment is required to make it operational. Mine production and blasting operated at an average rate of 1000 tonnes per month, until March 2014, when enough material was stockpiled and it was necessary to cut costs, due to a shortage of capital in the weak financing environment. With the installation of an electric dore furnace, several dore tests were made in March-April and several tons of concentrate were sold in July 2014. Proceeds from the concentrate sale along with a US$200,000 loan from Minera Apolo with a 15% interest rate has covered recent costs. With the addition of flotation circuit and a summer drought, it became necessary to install a water recycling system.

Peru/Other

In order to develop a second potential cash flow stream, on June 25, 2014, the Company announced that it had signed a letter of intent with Carbocol Peru S.A.C. ("Carbocol"), to acquire 100% of San Pedro, a 900 hectare gold concession held in the state of Piura in northern Peru, on the border of Ecuador, for one million shares of Excalibur. Carbocol is controlled by German Castaño, a newly appointed (May 30, 2014) director of the Company. Through a modest investment in better equipment Excalibur will receive 50% of the ore from increased production of the informal miners on the San Pedro property which is sold to a local toll mill thereby generating weekly cash flow. The Company has also been performing due diligence on certain tailings projects in N.W. Arizona. This has the potential for a third cash flow stream if the prospects are viable.

Cariboo Claims - British Columbia and Sturgeon Lake Claims, Ontario

Decision to Discontinue Exploration

Given the lack of interest by investors in exploration plays, and no concrete means to raise the additional funding needed to continue exploring these projects, Management has elected not to advance exploration on both the Cariboo claims and the Sturgeon Lake claims and has expensed the carrying values of $360,520 and $1,629,971 in this fiscal period.

Silver King – British Columbia - Canada

On July 13, 2012 the Company announced that it had terminated its option to acquire the Silver King Property in order to focus its resources on the Catanava gold production project in Mexico. In accordance with the Company's impairment policy, it wrote off the carrying value of $836,700 at May 31, 2012, being the total Silver King project costs incurred to date.

ADDITIONAL DISCLOSURE FOR VENTURE COMPANIES WITHOUT SIGNIFICANT REVENUE

EXPLORATION AND EVALUATION EXPENDITURES ("E&E")

During the period, a total of $1,621,629 was deferred to exploration and evaluation expenditures (2013 - $1,686,338). 95% of these costs were incurred at Catanava (compared to 83% in the same period in the prior year.) Management is focusing its resources on the near term production potential at Catanava and Peru rather than continue Canadian exploration on the Cariboo and Sturgeon Lake projects.

The Catanava mining operations costs are categorized as related to security, plant, general mining, laboratory costs and overhead.

In each category, the costs include salaries and benefits, technical assessment, geology, sampling and testing, roads and other maintenance, utilities, and environment studies, where applicable.

The following summarizes the E&E costs for fiscal 2014:

	Catanava		Other		Cariboo Claims		TOTAL	
Year ended May 31 -	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Operations:								
- mining	519,004	250,005	-	-	-	-	**519,004**	250,005
- lab and plant	632,767	675,870			-	-	**632,767**	675,870
- security	84,383	30,577	-	-	-	-	**84,383**	30,577
Assays	16,520	17,025	-	-	-	13,987	**16,520**	31,012
Geology consulting	108,588	22,339	-		-	51,384	**108,588**	73,723
Drilling	-	-			-	192,430	**-**	192,430
G&A expenses	191,019	408,451	(5,328)	(730)	-	-	**185,691**	407,721
Acquisition/evaluation	-	-	74,676	-	-	25,000	**74,676**	25,000
Period Expenditures	1,552,281	1,404,267	69,348	(730)	-	282,801	**1,621,629**	1,686,338

SEGMENTED INFORMATION

At May 31, 2014, the Company has one operating and reporting segment and four geographical segments, being its exploration operations (currently focused at Catanava, Mexico). The Company's information about its assets and net loss by geographic location is detailed below:

May 31, 2014	Property, Plant and Equipment $	Mining Interests $	Total Assets $	Net Loss $
Mexico	312,002	4,288,362	4,954,196	81,904
Canada	1,258	-	109,120	(2,751,261)
Other	-	74,676	74,676	-
	313,260	**4,363,038**	**5,137,992**	**(2,669,357)**

May 31, 2013	Property, Plant and Equipment $	Mining Interests $	Total Assets $	Net Loss $
Canada	1,723	1,995,819	3,697,346	(975,311)
Mexico	245,877	2,736,081	3,340,441	(35,066)
	247,600	4,731,900	7,037,787	(1,010,377)

SUMMARY OF QUARTERLY RESULTS

Selected Period Information	Q4-2014 $	Q3-2014 $	Q2-2014 $	Q1-2014 $
Interest income	37,000	1,434	11,821	12,083
Expenses	2,053,543	435,301	130,978	192,603
Net loss	(2,002,597)	(386,693)	(87,329)	(192,738)
Deficit, end of Quarter	15,452,119	13,373,191	13,062,829	12,975,500
Loss per share [(1)]	$0.026	$0.005	$0.001	$0.002

Selected Period Information	Q4-2013 $	Q3-2013 $	Q2-2013 $	Q1-2013 $
Interest income	(4,864)	20,059	-	95
Expenses	425,819	282,043	158,255	173,460
Net loss	(377,260)	(265,933)	(159,880)	(207,298)
Deficit, end of Quarter	12,782,427	12,276,034	12,010,101	11,850,215
Loss per share[(1)]	$0.005	$0.003	$0.002	$0.003

(1) Basic and diluted loss per share are equal

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties, advance production at Catanava and meet its working capital needs in both Canada and Mexico.

At May 31, 2014, the Company had current assets of $225,935 (May 31, 2013 - $2,035,408) to settle current liabilities of $188,587 (May 31, 2013 - $233,414). Catanava project working capital requirements have been covered by a US$200,000 loan provided by the 51% partner, Minera Apolo in July 2014. Overhead for running Excalibur as a publicly-traded entity is approximately $15,000 per month. The majority of these costs are management fees and transfer agent and regulatory fees (including audit). Management is investigating alternative means of financing the Mexico operations including bridge loans and other short term loans for the purchasing of flotation cells and a second ball mill and it has already reduced management and investor relations fees by terminating ongoing contracts to be replaced by services provided and billed at hourly rates on an 'as needed' basis. However despite implementing such cost saving measures, the Company will have to secure additional cash resources in the future, most likely through the issuance of equity and warrants, debt or by securing strategic partners and gold production. Achieving commercial production and therefore positive cash flow, at Catanava, is now paramount to Excalibur's advancement.

The Company remains relatively debt free and its credit and interest rate risks are minimal. Trade payables and accrued liabilities are short-term and non-interest bearing. The majority of these liabilities are related to the costs of completion of the construction and start-up of the production plant and mining operations at Catanava.

The Company will continue to be financing-dependent until achieving positive cash flow from operations. Management anticipates that it will be able to raise sufficient cash to fund its operations in the future through positive cash flow from operations, equity financing, the exercise of options and warrants, joint venture arrangements, equipment or other asset-based loans or the disposition of non-core assets, but there is no assurance of this.

Management continues to identify and evaluate potential investments or acquisitions to add to the Company's asset base.

Commitments

See Project Review

As of May 31, 2014, the Company has met all its ongoing obligations to maintain its rights and interests in the Company's mineral properties.

Contractual Obligations and Investor Relations

i) Effective May 22, 2014 the Company engaged the services of Frontier Capital, Inc. to provide investor relations services through investor and broker meetings, public relations and on-line media. Terms of the engagement included compensation of $5,000 monthly and the granting of 300,000 stock options to purchase common shares of the Company for up to three years, at $0.12 per share.

   Also on May 22, 2014, Frontier Capital Inc. subscribed for 1,000,000 units at $0.10 per unit through a private placement. Each unit was comprised of one common share and one warrant to purchase one common share at $0.15 per share for up to five years.

Contingencies

The Company's exploration and development planning activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and becoming more restrictive. As of May 31, 2014 the Company does not believe there are any significant environmental obligations requiring capital outlays in the near-term, however Management expects to make expenditures to comply with such laws and regulations on an ongoing basis.

The 2014 Mexican Tax Reform Bill was published by the Official Gazette on December 11, 2013. This enacted legislation which included the imposition of a tax deductible 7.5% mining tax royalty based on earnings before the deduction of interest, taxes, depreciation and amortization. The legislation also included an additional 0.5% on precious metals revenue as well as maintaining the corporate tax rate at 30% as opposed to reducing it to 28% as originally planned.

Management of Capital and Business Prospects

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital. Management adjusts the capital structure as necessary in order to support the discovery, acquisition, development and mining of economically-viable precious and base metal mineral resources. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended May 31, 2014. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

Catanava, in Mexico, is a development project, whereas the Canadian properties were in the exploration stage. Historically the Company has been totally dependent on external financing to fund its activities, however, Management's current budgeting also includes additional sources of financing including positive cash flow from Catanava, recovery of IVA, cash flow from a new investment in Peru, convertible debenture financings, bridge loans and potential stock option and warrant exercises.

Excalibur's future success is highly dependent on viable production results and the securing of financing to advance its projects.

SHARE CAPITAL

As at	May 31, 2014	May 31, 2013
Issued shares outstanding	**82,924,831**	**78,424,831**
Stock options outstanding	**6,972,250**	**4,609,750**
Warrants outstanding	**4,500,000**	**16,520,267**
Total Share Capital – Common Shares - Fully Diluted	**94,397,081**	**99,554,848**

Share-based Payments - Stock Options

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding common shares of the Company at the date of grant. Stock options granted generally vest immediately. On September 15 and December 15, 2013 and again on March 15, 2014, 50,000 stock options previously granted to Torrey Hills Capital, Inc., vested.

During the year ended May 31, 2014 a total of 3,400,000 five-year stock options were granted to directors, officers and consultants and a total of 1,037,500 stock options were cancelled or expired.

During the year ended May 31, 2013, a total of 1,180,000 five-year stock options were granted to directors, officers and consultants, and a total of 56,250 stock options were cancelled or expired.

The following summarizes the stock option activities during the years ended May 31, 2014 and 2013:

	Number of Options	Weighted Average Exercise Price $
Balance – May 31, 2012	**3,486,000**	**0.14**
Granted	1,180,000	0.25
Cancelled or expired	(56,250)	0.15
Balance - May 31, 2013	**4,609,750**	**$0.17**
Granted	3,400,000	$0.12
Expired or cancelled	(1,037,500)	$0.17
Options outstanding at May 31, 2014	**6,972,250**	**$0.15**

The following summarizes the exercisable stock options outstanding at May 31, 2014:

Number of Exercisable Options	Exercise Price	Expiry Date	Estimated Fair Value($)
1,042,250	$0.16	January 12, 2015	112,105
300,000	$0.16	December 5, 2015	40,683
1,250,000	$0.12	February 1, 2017	108,125
80,000	$0.18	July 13, 2017	10,741
400,000	$0.27	December 19, 2017	80,502
200,000	$0.25	March 15, 2016	31,008
300,000	$0.25	March 15, 2018	92,996
2,800,000	$0.12	February 28, 2019	250,993
300,000	$0.12	May 22, 2019	21,663
300,000	$0.12	May 30, 2019	20,380
6,972,250			

Warrants

The following summarizes the warrants activity and outstanding warrants for the years ended May 31, 2014 and 2013:

	Number of Warrants and Broker Warrants	Weighted Average Exercise Price ($)	Estimated Fair Value ($)
Balance – May 31, 2012	34,188,239	0.20	1,218,924
Expired	(8,258,972)	0.33	(483,605)
Exercised	(9,425,000)	0.15	(245,429)
Extended			129,468
Balance - May 31, 2013	16,520,264	0.16	619,358
Issued	4,500,000	0.15	156,053
Expired	(16,520,264)	(0.16)	(619,358)
Balance – May 31, 2014	**4,500,000**	**0.15**	**156,053**

Number of Warrants Outstanding	Exercise Price ($)	Expiry Date
2,500,000	0.15	February 25, 2016
2,000,000	0.15	May 22, 2016
4,500,000		

Management does not know when and how much will be collected from the exercise of such securities as it is dependent on the determination and investment pursuits of the warrant holders.

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements or obligations other than mineral property option payments and exploration expenditures commitments.

PROPOSED TRANSACTIONS

The Company has no immediate intent to acquire any additional, or dispose of, any asset of the Company, however, from time to time the Company may acquire or dispose of property assets as exploration results, opportunities, competitive nature of the business, venture-capital and management may determine.

ASSESSMENT OF RECOVERABILITY OF MINERAL PROPERTY COSTS

The Company's recorded value of its exploration properties is based on historic costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

ASSESSMENT OF RECOVERABILITY OF DEFERRED INCOME TAX ASSETS

In preparing its Consolidated Financial Statements, the Company is required to estimate its income tax obligations. The process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from deferred taxable income and, to the extent that recovery cannot be considered "more

likely than not", a valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the income statement.

ASSESSMENT OF RECOVERABILITY OF GST/HST/VAT RECOVERABLE

The carrying amount of GST/HST/VAT recoverable is considered representative of its respective value. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is considered.

RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at fair value.

(i) During the year, management and administration fees of $159,114 (2013 - $229,040) and accounting consulting fees of $15,590 (2013 - $10,250) plus applicable taxes were paid or accrued to directors and/or officers of the Company for services rendered. Included in accounts payable and accrued liabilities at May 31, 2014 and 2013 $nil owed to the above related parties.

(ii) During the year an officer of the Company advanced $13,000 to the Company, to be used as working capital. This advance was non-interest bearing and was repaid on June 25, 2014.

KEY EXECUTIVE COMPENSATION

The Company has identified its directors and certain senior officers as its key management personnel. The Compensation cost for key management personnel is as follows:

	2014	2013
	$	$
Management fees	**140,000**	187,040
Administration fees	**19,114**	42,000
Accounting fees	**15,590**	10,250
Share-based compensation	**217,589**	-
	392,293	239,290

The Company currently has no full-time employees and engages consultants to provide management, administrative and technical services to the Company. Certain consultants are also directors and officers of the Company.

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company manages capital and its exposure to financial risks by ensuring it has sufficient financial capacity to support its exploration development plans and long-term growth strategy.

The Company is subject to various financial risks that could have a significant impact on financial conditions and the Company's ability to advance its exploration projects. These risks include liquidity risk, credit risk, fair value of financial instruments, currency risk and global financial market conditions relating to interest rates and mineral commodity prices.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in realizing assets, discharging liabilities or otherwise raising funds to meet commitments associated with financial instruments. As it has no guaranteed source of income, the Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to discharge its liabilities as they come due. As previously noted, there can be no assurance that it will be successful in its efforts to arrange additional financing, in amounts required to satisfy the Company's operational needs, on terms satisfactory to the Company.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company is not exposed to credit risk attributable to customers. Additionally, the Company's cash is lodged with highly-rated Canadian financial institutions. Management has assessed the risk of loss due to credit risk as remote.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments approximates their fair values due to the relatively short periods to maturity of these instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from the Company's financial assets, will fluctuate because of changes in foreign exchange rates. The Company continues to fund exploration and administrative expenditures in Mexico, on a cash call basis, using Mexico pesos converted from Canadian dollar wire transfers. The Company is therefore subject to gains and losses that may arise due to fluctuations in the Mexico peso against the Canadian dollar which is the Company's functional currency. As at period end, the Company had minimal currency risk exposure but Management is cognizant that the Company could be subject to increased currency risk from its operations, which could be significant.

Global Financial Market Conditions

Events and conditions in the global financial markets, particularly over the last two years continue to impact commodity prices, interest rates and currency rates. These conditions, as well as market volatilities, may have a positive or negative impact on the Company's operating costs, project exploration and development expenditures, and planning the Company's projects.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Consolidated Financial Statements under IFRS requires Management to make certain estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. The accounting estimates considered to be significant are the valuation of the Company's resource assets and equity instruments. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

RISKS AND UNCERTAINTIES ASSOCIATED WITH MINING

The Company's common shares should be considered highly speculative due to the nature of its business and the present stage of its development and the location of its properties in Ontario, British Columbia and Mexico. The business of the Company is subject to a variety of risks and uncertainties

including those listed below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations and any of these risk elements could have a material adverse effect on the business of the Company.

Exploration Development and Operating Risk

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration and development, any of which could result in work stoppages, damage to the property, and possible environmental damage. None of the properties in which Excalibur has an interest have a known body of commercial ore. Mining involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that any of Excalibur's mineral exploration and development activities will result in discoveries of commercially viable bodies of ore.

Management of Excalibur attempts to mitigate the risks associated with mining and minimize their effect on the Company's financial performance, but there is no guarantee that the Company will be profitable in the future and the Company's common shares should be considered speculative.

Title

Although the Company has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Foreign Country Risk

Management is currently focusing on developing its project in Mexico due to the short-term timeline to achieve production (and its resulting revenue stream). By its very nature, development in a foreign jurisdiction bears certain risks such as potential economic and political instability. Other changes that can occur include a change of government that may void or change the laws and regulations that the Company is relying upon. Additionally, currently there are no restrictions on the repatriation from Mexico of earnings to foreign entities. However there can be no assurance that restrictions on repatriation of earnings will not be imposed in the future. Management mitigates foreign country risk by keeping apprised of the United States and Mexico's economic and political climate and by relying on the Project's country manager to inform Management of any proposed change to the laws and regulations that could significantly impact the financial results of the Company.

Environmental Matters

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any mining properties will be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Commodity Prices

The price of the Company's common shares, its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of gold and/or other metals. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control.

The effect of these factors on the price of precious and base metals, and therefore the economic viability of the Company's exploration projects, cannot accurately be predicted. Excalibur does not have a hedging policy and has no present intention to establish one. Accordingly, Excalibur has no protection from declines in mineral resource prices.

OUTSTANDING SHARE DATA

The Company has one class of common shares and is authorized to issue an unlimited number of common shares without par value.

As at September 29, 2014 the Company had the following share data outstanding:

- 82,924,831 common shares
- 4,500,000 common share purchase warrants with an exercise price of $0.15
- 6,972,250 stock options with an average exercise price of $0.15

OUTLOOK

Excalibur's Strengths:

- seasoned management, engineering, mining operations and exploration team
- near-term producing project in Mexico, favourable mining and exploration logistics, prior resources reported, good infrastructure, approved permits
- new project in northern Peru generating small weekly cash flow working with informal miners in high grade gold low cost jurisdiction

Excalibur's Challenges:

- raising capital for projects in a poor financing market
- achieving positive exploration and production results
- dependent on buoyant commodity price to attract and maintain investor support
- identifying, financing and procuring additional projects to expand asset base