



**Consolidated Financial Statements  
Years Ended May 31, 2015 and 2014  
(In Canadian dollars)**

**INDEX**

Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Loss and Comprehensive Loss	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Changes in Shareholders' Equity	5
Notes to the Consolidated Financial Statements	6-27

**INDEPENDENT AUDITORS' REPORT**

*To the Shareholders of Excalibur Resources Ltd.*

We have audited the accompanying consolidated financial statements of Excalibur Resources Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at May 31, 2015 and May 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years ended May 31, 2015 and May 31, 2014 and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Excalibur Resources Ltd. and its subsidiaries as at May 31, 2015 and May 31, 2014 and its financial performance and its cash flows for the years ended May 31, 2015 and May 31, 2014 in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

*Collins Barrow Toronto LLP*

Collins Barrow Toronto LLP  
Licensed Public Accountants  
Chartered Accountants  
September 28, 2015

## Excalibur Resources Ltd.

### Consolidated Statements of Financial Position

(In Canadian dollars)

As at	May 31, 2015	May 31, 2014
	(\$)	(\$)
<b>Assets</b>		
<b>Current</b>		
Cash	119,198	13,452
Prepaid expenses and sundry receivables	7,279	102,993
HST and VAT receivables (Note 5)	7,282	109,490
	133,759	225,935
<b>Non-current</b>		
VAT receivable (Note 5)	-	211,697
Exploration and evaluation assets (Note 6)	-	4,363,038
Reclamation bonds and guarantee deposits (Note 7)	-	24,062
Property, plant and equipment (Note 8)	660	313,260
	134,419	5,137,992
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	113,151	188,587
Subscription receipts (Note 9(a))	100,000	-
Other loans (Note 9(b))	175,778	-
	388,929	188,587
<b>Non-current</b>		
Rehabilitation provision (Note 7)	-	10,000
	388,929	198,587
<b>Shareholders' Equity</b>		
Capital stock (Note 10)	16,719,348	16,719,348
Warrants (Note 11)	156,053	156,053
Contributed surplus	3,516,123	3,516,123
Deficit	(20,646,034)	(15,452,119)
	(254,510)	4,939,405
	134,419	5,137,992

*Nature of Operations and Going Concern (Note 1)*

*Commitments and Contingencies (Note 17)*

*Subsequent Event (Note 21)*

#### APPROVED BY THE BOARD:

Signed                     "Andrew Robertson"                    , Director

Signed                     "Tim Gallagher"                    , Director

See accompanying notes to the consolidated financial statements

## Excalibur Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss  
(In Canadian dollars)

<b>Years Ended May 31</b>	<b>2015</b>	<b>2014</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Corporate administrative expenses</b>		
Management and administrative fees	129,000	174,704
Impairment loss ( <i>Note 6</i> )	110,969	1,990,491
Promotional and investor relations	76,260	139,255
Regulatory and transfer agent	31,886	29,982
Professional fees	27,132	14,483
Office and general expenses	11,937	38,137
Amortization	598	21,159
Stock-based compensation expense	-	304,388
<b>Total expenses</b>	<b>(387,782)</b>	<b>(2,712,599)</b>
<b>Other items</b>		
Interest income (expense)	(5,384)	4,633
Gain (loss) on foreign exchange	(42,546)	(1,446)
<b>Loss for the year from continuing operations</b>	<b>(435,712)</b>	<b>(2,709,412)</b>
<b>Discontinued operations</b>		
Gain (loss) from discontinued operations ( <i>Note 19</i> )	(4,758,203)	40,055
<b>Total net loss and comprehensive loss for the year</b>	<b>(5,193,915)</b>	<b>(2,669,357)</b>
<b>Loss per share – basic and diluted</b>		
Continuing operations	\$0.00	\$0.03
Discontinued operations	\$0.06	\$0.00
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>82,924,831</b>	<b>79,128,941</b>

See accompanying notes to the consolidated financial statements

**Excalibur Resources Ltd.**  
**Consolidated Statements of Cash Flows**  
(In Canadian dollars)

Years Ended May 31	2015	2014
	(\$)	(\$)
<b>Operating activities</b>		
Net (loss) from continuing operations	(435,712)	(2,709,412)
Items not affecting cash:		
Depreciation	598	21,159
Share-based compensation	-	304,388
Impairment loss	110,969	1,990,491
Reclamation bonds and guarantee deposits	(10,000)	-
Net changes in non-cash working capital		
Prepaid and HST receivables	32,182	(6,170)
Accounts payable and accrued liabilities	(179,779)	(48,496)
Cash used in operating activities	(481,742)	(448,040)
<b>Investing activities</b>		
Exploration and evaluation asset expenditures	(36,293)	(69,348)
Cash used in investing activities	(36,293)	(69,348)
<b>Financing</b>		
Shares issued pursuant to private placements	-	500,000
Subscription receipts	100,000	-
Other loans	175,779	-
Cash provided by financing activities	275,779	500,000
<b>Net cash flows for continuing operations:</b>	<b>(242,256)</b>	<b>(17,388)</b>
<b>Net cash flow for discontinued operations</b> <i>(Note 19)</i>	<b>348,003</b>	<b>(1,664,705)</b>
	<b>105,746</b>	<b>(1,682,093)</b>
<b>Cash, beginning of year</b>	<b>13,452</b>	<b>1,695,545</b>
<b>Cash, end of year</b>	<b>119,198</b>	<b>13,452</b>

See accompanying notes to the consolidated financial statements

## Excalibur Resources Ltd.

### Consolidated Statements of Changes in Shareholders' Equity

(In Canadian dollars)

	Issued Capital		Equity Reserves			Total (\$)
	Number of Shares	Capital Stock (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Deficit (\$)	
<b>Balance – May 31, 2013</b>	<b>78,424,831</b>	<b>16,375,401</b>	<b>619,358</b>	<b>2,592,375</b>	<b>(12,782,762)</b>	<b>6,804,372</b>
Share units issued for private placements <i>(Note 10)</i>	4,500,000	343,947	156,053	-	-	500,000
Expired warrants <i>(Note 11)</i>	-	-	(619,358)	619,358	-	-
Stock-based compensation <i>(Note 12)</i>	-	-	-	304,390	-	304,390
Net loss for the year	-	-	-	-	(2,669,357)	(2,669,357)
<b>Balance – May 31, 2014</b>	<b>82,924,831</b>	<b>16,719,348</b>	<b>156,053</b>	<b>3,516,123</b>	<b>(15,452,119)</b>	<b>4,939,405</b>
Net loss for the year	-	-	-	-	(5,193,915)	(5,193,915)
<b>Balance – May 31, 2015</b>	<b>82,924,831</b>	<b>16,719,348</b>	<b>156,053</b>	<b>3,516,123</b>	<b>(20,646,034)</b>	<b>(254,510)</b>

See accompanying notes to the consolidated financial statements

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Excalibur Resources Ltd. ("Excalibur" or the "Company") was incorporated under the laws of Canada on May 11, 1983. Excalibur is a junior mining company focused on the discovery, development, mining and ore trading of economically viable precious and base metal mineral resources.

The Company is listed on The Canadian Stock Exchange. The Company's head office and principal address are located at 8 King St East, Suite 1010, Toronto, Ontario, Canada, M5C 1B5.

The current financial equity market conditions and the low price of the Company's common shares make it difficult to raise funds by private placements of shares, making the success of any alternative financing ventures uncertain. This uncertainty, in conjunction with the Company's inability to generate cash from operations, casts significant doubt upon the Company's ability to continue as a going concern. In addition to obtaining funding through private placements, management is examining other strategic alternatives to address the uncertainties discussed above, including reorganizations, mergers, sales of assets, and other forms of debt and equity financing. There is no assurance that any of these endeavours will be successful.

These consolidated financial statements do not reflect any adjustments to the carrying values and classification of assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

The amounts shown in note 6 represent costs to date for property acquisition and exploration (including mineral claims and permits), less amounts written off or impaired, and do not necessarily reflect fair values. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing financing to complete development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

The Company's consolidated financial statements were authorized for issue by the Board of Directors on September 25, 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Consolidation**

For the year ended May 31, 2015, these consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Excalibur Resources (US) Inc. "ERI", which was inactive during the year. Effective May 27, 2015, the Company sold its 49% interest in Minera Catanava S.A. ("MCSA") to the owner of the remaining 51% of MCSA, namely Minera Apolo S.A. de C.V. (the "Sale Transaction"). See Note 6. Therefore for the year ended May 31, 2015, these consolidated financial statements include the accounts of the Company's 49% interest in MCSA as "discontinued operations".

**2.2 Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**2.3 Basis of Presentation**

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair values. The accounting policies have been applied consistently throughout all years presented in these consolidated financial statements.

**2.4 Use of Estimates and Judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain critical estimates and assumptions about the future and to exercise judgment in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgments and assumptions made by management are discussed in Note 4.

**2.5 Income Taxes**

The Company follows the deferred tax method of accounting for income taxes. Deferred assets and liabilities are recognized for the future tax consequences attributable to the difference between consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

**2.6 Foreign Currency Translation**

The functional currency of the Company and its subsidiaries ERI and MCSA is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currencies of the Company and its subsidiaries at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

**2.7 Share Issuance Costs**

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

**2.8 Property, Plant and Equipment**

Property, plant and equipment are valued and recorded at cost less accumulated amortization. Amortization is recorded over the following estimated useful lives of the capitalized assets, on a straight-line basis:

Tools	5 years
Furniture and fixtures	5 years
Equipment	5 years
Computer, equipment and software	3 years

## **2.9 Exploration and Evaluation Assets**

### *Pre-exploration and evaluation expenditures*

Exploration and evaluation costs incurred prior to acquiring the right to explore mining interests are capitalized as exploration and evaluation assets on a project-by-project basis. If the costs incurred cannot be directly attributed to a project that is going to be pursued beyond the pre-exploration and evaluation stage they are expensed.

### *Exploration and evaluation assets include mining interests*

Exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are expensed.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible or intangible assets. Expenditures deemed to be unsuccessful are recognized in net income immediately.

### *Title*

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

## **2.10 Provisions and Decommissioning Liabilities (Asset Retirement Obligations)**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions, including asset retirement obligations, are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**2.11 Loss Per Share**

Basic loss per share is calculated based on the weighted average number of shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods if the effects were not anti-dilutive.

The effect on the diluted loss per share on the exercise of the stock options and warrants described in Notes 11 and 12 would be anti-dilutive.

**2.12 Stock-Based Compensation**

The Company has a share-based compensation plan as described in Note 12. The Company uses the fair-value based method to account for all stock-based payments to employees granted after January 1, 2004 by measuring the compensation cost of the share-based payments using the Black-Scholes option-pricing model. For employee-related payments, the fair value of the stock-based compensation is recorded as a charge to operations over the vesting period with a credit to contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

For equity-settled stock-based compensation transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their fair value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instrument granted.

**2.13 Financial Instruments**

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, FVTPL, available-for-sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period. Held-to-maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Sundry receivables	Loans and receivables
Trade and other payables	Other liabilities
Rehabilitation provision	Other liabilities
Subscription receipts	Loans and receivables
Other Loans	Loans and receivables

The Company's financial instruments measured at fair value on the statement of financial position consist of cash. Cash is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

## **2.14 Impairment**

### **(a) Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if i) the carrying amount of a cash-generating unit exceeds its estimated recoverable amount ii) substantive expenditure on further exploration in a specific area is neither budgeted nor planned, iii) exploration in an area has not led to the discovery of commercially viable quantities of mineral resources, or the results are not compelling enough to warrant further exploration, and the Company has decided to discontinue activities in the area; or (iv) sufficient data exists to indicate that, although exploration or development in an area is likely to proceed, the carrying amount of the mineral property is unlikely to be recovered in full from successful development or by sale.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**(b) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

**2.15 Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

(a) The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions. The nature and effect of the changes are explained below.

**IFRS 8 - Operating Segments** ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014.

*The Company conducted a review of the amendment to this standard and determined that it did not result in any material change to the consolidated financial statements.*

**IFRS 13 – Fair Value Measurement** ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The amendment is effective for annual periods beginning on or after July 1, 2014.

*The Company conducted a review of the amendment to this standard and determined that it did not result in any material change to the consolidated financial statements.*

**IAS 24 – Related Party Disclosures** ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

*The Company conducted a review of the amendment to this standard and determined that it did not result in any material change to the consolidated financial statements.*

(b) Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

The following have not yet been adopted and are being evaluated to determine their impact on the Company.

**IFRS 9** – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge nonfinancial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS9 is effective for periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of this pronouncement.

**IFRS 10** – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

**IFRS 11** - Joint Arrangements ("IFRS 11") was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

**IFRS 15** - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

**IAS 1** – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**IAS 27** – Separate Financial Statements (“IAS 27”) was amended in August 2014 to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

**4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Critical judgments

The critical judgments, apart from those involving estimations, that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

*Impairment of financial assets*

At the end of each reporting period, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired and records an impairment loss when there is such objective evidence. Objective evidence is generally supported by observable data. Based on observable data about its investments in equity securities, the Company concluded that there was no impairment of financial assets.

*Impairment of mineral property, plant and equipment*

The Company’s mineral property, plant and equipment represent acquisition costs and property and equipment relating to the Minera Catanava project in Mexico. At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, which is the greater of the asset’s value in use and fair value, less costs to sell. In determining the value in use, the Company applies an appropriate discount rate to the estimated future cash flows associated with an asset. The Company considers both external and internal sources of information in assessing whether there are any indications that the Company’s mineral property, plant and equipment are impaired.

On May 27, 2015, the Company completed the sale of its 49% interest in Minera Catanava resulting in the disposition of its mineral property expenses and plant and equipment.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

*Income taxes*

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

As at May 31, 2015 and 2014, the Company has not recognized any deferred tax assets for deductible temporary differences. Changes in any of the above mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period.

*Useful life of building and equipment*

The Company's building and equipment are depreciated over the estimated useful lives of the assets. Changes in the estimated useful lives of these assets could significantly increase or decrease the amount of depreciation recorded in future periods and the carrying amount of the related assets. On May 27, 2015, the majority of the Company's building and equipment was disposed of within the Sale Transaction.

*Provision for decommissioning*

An obligation to incur future reclamation, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. As at May 31, 2015 and 2014, management believes that the Company has no material obligation for decommissioning.

*Stock-based compensation*

In determining the amount of share-based compensation expense recognized for share options granted, management makes estimates of the number of options expected to vest, and the inputs used in calculating fair value of share options granted using the Black-Scholes option pricing model. Estimates of the number of options expected to vest are revised during each reporting period over the vesting period, with changes to cumulative share-based compensation expense recognized recorded in the period changes to estimates occur. For the year ended May 31, 2015, the Company recognized stock-based compensation expense of \$nil (2014 -\$304,388)

**5. VALUE-ADDED TAXES RECEIVABLES**

The Company's value-added taxes receivable arose from two main sources – harmonized services tax ("HST") recoverable from the Canadian government taxation authority ("CRA") and value-added taxes ("VAT") recoverable from the Mexican government taxation authority ("SAT").

*See Note 19 – Discontinued Operations*

Value-added taxes receivable, at May 31, is as follows:

	<b>2015 (\$)</b>	2014 (\$)
HST receivable – Canada	<b>7,282</b>	15,402
VAT receivable – Mexico	-	94,088
VAT receivable - Mexico	-	282,262
Total HST and VAT receivable	<b>7,282</b>	391,752
Less allowance for VAT receivable - Mexico	-	(70,565)
<b>TOTAL</b>	<b>7,282</b>	321,187

## **6. EXPLORATION AND EVALUATION ASSETS**

### **(a) Sale of Minera Catanava**

On September 22, 2010 the Company signed an agreement (the "Agreement") with Minera Apolo S.A. de C.V. ("MASA") under which the companies agreed to form a company called Minera Catanava S.A. de C.V ("MCSA"). MCSA was focused on the completion of a 150 tonne-per-day gold-silver operation on its 143 hectare Catanava property within the Municipality of Pinos, State of Zacatecas, Mexico.

Pursuant to the terms of the Agreement, MASA would provide the Catanava property to MCSA and the Company would provide the financing for the exploration and development of the Catanava mining operations including construction of the plant, for a 49% interest.

On May 27, 2015, the Company completed the sale of its 49% interest in MCSA to its 51% partner MASA (the "Purchaser") for US \$75,000. *See Note 19 – Discontinued Operations*

### **(b) Peru – San Pedro**

On June 25, 2014, the Company announced that it had signed a letter of intent with Carbocol Peru S.A.C. ("Carbocol") to purchase a 900 hectare gold concession held in the state of Piura in northern Peru, for one million shares of Excalibur ("San Pedro I"). Carbocol is controlled by German Castaño, a director of the Company. To May 31, 2015, the Company has not purchased the concession.

Effective October 24, 2014 the Company began the process of acquiring an additional 900 hectares mineral concession from the Peruvian government through an agent, called San Pedro II. This concession is adjacent to San Pedro I. This mineral concession is valid and the Company was planning to work with and provide equipment to local informal miners to increase production and sell the ore to local processing plants and metal buyers. However, numerous operational issues arose that resulted in the Company examining other strategies for procuring and selling ore. *See Note 21 - Subsequent Event*

To date, the Company has expensed a total of \$60,447 for mineral concession costs and working capital for Peru activities.

### **(c) Canada - Cariboo Claims, Sturgeon Lake and Silver King Projects**

On May 31, 2014, in order to focus its resources on its projects in Mexico and Peru, the Company elected not to conduct any future exploration programs on the Cariboo and Sturgeon Lake Claims and wrote off the carrying amounts of \$360,520 and \$1,629,971 to nil.

On October 22, 2014, the Company was able to recover the \$10,000 previously lodged bond and was released from any and all further restoration obligations for this property. This recovered amount was capitalized and then written off at May 31, 2015.

### **(d) Other – USA**

On May 31, 2015, in order to focus its resources on its projects in Peru, the Company elected not to conduct any future investment in the tailing project in Arizona, USA, and wrote off the carrying amounts of \$60,400 to nil.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

During the years ended May 31, 2015 and 2014, the activity relating to the Company's E&E assets was as follows:

	June 1 , 2014	Additions/ Adjustments	Impairment/ Write-downs	May 31, 2015
	(\$)	(\$)	(\$)	(\$)
<b>Minera Catanava <sup>(a)</sup></b>				
Exploration & Evaluation	4,288,362	655,764	-	<b>4,944,126</b>
Disposals (Note 19)	(4,288,362)	(655,764)	-	(4,944,126)
<b>Total</b>	-	-	-	-
<b>San Pedro, Peru <sup>(b)</sup></b>				
Exploration & Evaluation	19,276	41,171	(60,447)	-
<b>Total</b>	<b>19,276</b>	<b>41,171</b>	<b>(60,447)</b>	-
<b>Cariboo Claims, Sturgeon Lake and Silver King <sup>(c)</sup></b>				
Recovery of reclamation bond	-	(10,000)	10,000	-
Exploration & Evaluation	-	122	(122)	-
<b>Total</b>	-	<b>(9,878)</b>	<b>9,878</b>	-
<b>Other – USA <sup>(d)</sup></b>	<b>55,400</b>	<b>5,000</b>	<b>(60,400)</b>	-
<b>Total E&amp;E Assets</b>	<b>74,676</b>	<b>36,293</b>	<b>(110,969)</b>	-

	June 1 , 2013	Additions/ Adjustments	Impairment/ Write-downs	May 31, 2014
	(\$)	(\$)	(\$)	(\$)
<b>Minera Catanava <sup>(a)</sup></b>				
Exploration & Evaluation	2,736,081	1,552,281	-	4,288,362
<b>Total</b>	<b>2,736,081</b>	<b>1,552,281</b>	-	<b>4,288,362</b>
<b>Other - Peru <sup>(b)</sup></b>				
Exploration & Evaluation	-	19,276	-	19,276
<b>Total</b>	-	<b>19,276</b>	-	<b>19,276</b>
<b>Cariboo Claims <sup>(c)</sup></b>				
Acquisition	77,006	-	(77,006)	-
Exploration & Evaluation	283,514	-	(283,514)	-
<b>Total</b>	<b>360,520</b>	-	<b>(360,520)</b>	-
<b>Sturgeon Lake <sup>(c)</sup></b>				
Acquisition	93,331	-	(93,331)	-
Exploration & Evaluation	1,541,968	(5,328)	(1,536,640)	-
<b>Total</b>	<b>1,635,299</b>	<b>(5,328)</b>	<b>(1,629,971)</b>	-
<b>Other – USA <sup>(d)</sup></b>	-	<b>55,400</b>	-	<b>55,400</b>
<b>Total E&amp;E Assets</b>	<b>4,731,900</b>	<b>1,621,629</b>	<b>(1,990,491)</b>	<b>4,363,038</b>

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

**7. RECLAMATION BONDS, REHABILITATION PROVISION AND GUARANTEE DEPOSITS**

As at May 31, 2015 and 2014, Management recorded a \$nil (May 31, 2014 - \$10,000) rehabilitation provision to their exploration program on the Company's mining claims relating to the Silver King Property. On October 22, 2014, the Ministry of Energy, Mines and Petroleum Resources in the Province of British Columbia confirmed that the Company had satisfied its rehabilitation obligations and the Company was able to recover the \$10,000 previously lodged bond and was released from any and all further restoration obligations for this property.

During the year the equivalent of \$13,479 was lodged as a guarantee deposit with the Federal Electricity Authority in Mexico. See Note 19 – Discontinued Operations

**8. PROPERTY, PLANT AND EQUIPMENT - See Note 19 – Discontinued Operations**

<b>Cost</b>	<b>Tools</b> \$	<b>Furniture and Fixtures</b> \$	<b>Equipment</b> \$	<b>Computers and Software</b> \$	<b>Total</b> \$
At May 31, 2014	19,047	6,082	611,157	18,157	654,443
Additions	-	-	3,800	-	3,800
Disposals	(19,047)	(3,091)	(614,957)	(18,157)	(655,252)
<b>At May 31, 2015</b>	<b>-</b>	<b>2,991</b>	<b>-</b>	<b>-</b>	<b>2,991</b>

  

<b>Accumulated Depreciation</b>	<b>Tools</b> \$	<b>Furniture and Fixtures</b> \$	<b>Equipment</b> \$	<b>Computers and Software</b> \$	<b>Total</b> \$
At May 31, 2014	11,139	2,742	309,585	17,717	340,983
Additions	-	598	63,304	-	63,902
Disposals	(11,139)	(1,009)	(372,889)	(17,717)	(402,554)
<b>At May 31, 2015</b>	<b>-</b>	<b>2,331</b>	<b>-</b>	<b>-</b>	<b>2,331</b>

  

<b>Net Book Value</b>	<b>Tools</b> \$	<b>Furniture and Fixtures</b> \$	<b>Equipment</b> \$	<b>Computers and Software</b> \$	<b>Total</b> \$
<b>At May 31, 2015</b>	<b>-</b>	<b>660</b>	<b>-</b>	<b>-</b>	<b>660</b>

  

<b>Cost</b>	<b>Tools</b> \$	<b>Furniture and Fixtures</b> \$	<b>Equipment</b> \$	<b>Computers and Software</b> \$	<b>Total</b> \$
As at May 31, 2013	10,509	5,966	433,165	18,157	467,797
Additions	8,538	116	177,992	-	196,646
As at May 31, 2014	19,047	6,082	611,157	18,157	654,443

  

<b>Accumulated Depreciation</b>	<b>Tools</b> \$	<b>Furniture and Fixtures</b> \$	<b>Equipment</b> \$	<b>Computers and Software</b> \$	<b>Total</b> \$
As at May 31, 2013	5,031	1,638	196,344	17,184	220,198
Additions	6,108	1,104	113,241	533	120,986
At May 31, 2014	11,139	2,742	309,385	17,717	340,983

  

<b>Net Book Value</b>	<b>Tools</b> \$	<b>Furniture and Fixtures</b> \$	<b>Equipment</b> \$	<b>Computers and Software</b> \$	<b>Total</b> \$
As at May 31, 2014	7,908	3,340	301,572	440	313,260

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**9. SUBSCRIPTION RECEIPTS and OTHER LOANS**

**(a) Subscription receipts –**

On June 25, 2014 a shareholder advanced \$100,000 to the Company, for working capital, as part of a future private placement. The loan is non-interest bearing and due on demand.

**b) Other loans - notes payable**

(i) On September 12, 2014 a shareholder advanced \$50,000 to the Company as a one-year 12% bridge loan. To May 31, 2015, a total of \$4,290 has been accrued as interest expense. Management has requested an extension for this loan, as it is past due.

(ii) On November 6, 2014 a shareholder advanced US\$50,000 (\$57,500) to the Company in the form of a royalty note of 20% of the net profits after monthly principal repayments of US\$5,000 on the production from San Pedro. Once the loan is repaid the shareholder is to receive a net smelter royalty of 3% on gold extracted from the San Pedro. The Company has the right to reduce the royalty from 3% to 2% for US\$100,000 payment at any time after the repayment of the note. No payments have been made due to the lack of production at San Pedro.

(iii) On April 16, 2015 a shareholder advanced US\$50,000 (\$62,750) to the Company as a six-month 15% bridge loan, due October 15, 2015. To May 31, 2015 a total of \$1,238 has been accrued as interest expense. Management has requested an extension for this loan.

(iv) During the year, MASA borrowed a total of \$869,414 on behalf of MCSA, to be used as working capital. See Note 19 – *Discontinued Operations*

**10. CAPITAL STOCK**

Authorized: an unlimited number of common shares without par value

Issued and outstanding common shares:

	Number of Shares	Value
<b>Balance - May 31, 2013</b>	<b>78,424,831</b>	<b>\$16,375,401</b>
Shares issued for private placements ( <i>Notes 10(a)(b)</i> )	4,500,000	500,000
Less fair value of warrants ( <i>Note 11</i> )		(156,053)
<b>Balance - May 31, 2014 and 2015</b>	<b>82,924,831</b>	<b>\$16,719,348</b>

(a) On February 25, 2014 the Company completed a non-brokered private placement financing for \$300,000 through the sale of 2,500,000 units at \$0.12 per unit, each unit consisting of one common share and one share purchase warrant exercisable at \$0.15 for a period of two years. The warrants were assigned a fair value of \$96,141 using the relative fair value method. Under this method the proceeds were allocated to the warrants based on the estimated value of the warrants using the Black-Scholes option pricing model, as a percentage of this Black-Scholes value plus the value of the common stocks based on the market closing price on February 25, 2014. The original Black-Scholes option pricing model used the following assumptions: share price \$0.12, forfeiture rate 0%, dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.02% and an expected life of 2 years.

b) On May 22, 2014 the Company completed a non-brokered private placement financing for

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

\$200,000 through the sale of 2,000,000 units at \$0.10 per unit, each unit consisting of one common share and one share purchase warrant exercisable at \$0.15 for a period of two years. The warrants were assigned a fair value of \$59,912 using the relative fair value method. Under this method the proceeds were allocated to the warrants based on the estimated value of the warrants using the Black-Scholes option pricing model, as a percentage of this Black-Scholes value plus the value of the common stocks based on the market closing price on May 22, 2014. The original Black-Scholes option pricing model used the following assumptions: share price \$0.10, forfeiture rate 0%, dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.04% and an expected life of 2 years.

**11. WARRANTS**

a) Between June 1, 2013 and February 24, 2014, a total of 16,520,264 warrants expired, unexercised.

b) On February 25, 2014 a total of 2,500,000 share purchase warrants were issued in connection with a private placement. See Note 10(a) – Capital Stock.

c) On May 22, 2014 a total of 2,000,000 share purchase warrants were issued in connection with a private placement. See Note 10(b) – Capital Stock.

The weighted average contractual life remaining for warrants outstanding at May 31, 2015 is 0.84 (2014 - 1.85) years.

The above warrants have not been included in the computation of diluted net loss per share as they are anti-dilutive.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of comparable companies. Changes in the underlying assumptions described in Notes 10 and 12 can materially affect the fair value estimates.

The following summarizes the warrants activity and outstanding warrants for the years ended May 31, 2015 and 2014:

	<b>Number of Warrants and Broker Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Estimated Fair Value at Date of Grant (\$)</b>
<b>Balance - May 31, 2013</b>	16,520,264	0.16	619,358
Issued	4,500,000	0.15	156,053
Expired	(16,520,264)	(0.16)	(619,358)
<b>Balance – May 31, 2014 and 2015</b>	<b>4,500,000</b>	<b>0.15</b>	<b>156,053</b>
<b><u>Number of Warrants Outstanding</u></b>	<b><u>Exercise Price (\$)</u></b>	<b><u>Expiry Date</u></b>	
2,500,000	0.15	February 25, 2016	
2,000,000	0.15	May 22, 2016	
<b>4,500,000</b>			

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**12. STOCK-BASED COMPENSATION**

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.

(a) On February 28, 2014 the Company granted 2,800,000 stock options to directors, officers and consultants. Each option is exercisable to acquire one common share at a price of \$0.12. These options mature on February 28, 2019. The value of \$250,993 assigned to the options was calculated using the Black-Scholes option pricing model using the following assumptions: share price of \$0.11, expected forfeiture rate 0%, Dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.62% and an expected life of 5 years.

(b) On May 22, 2014 the Company granted 300,000 stock options to Frontier Capital Inc., an investor relations consulting firm. Each option is exercisable to acquire one common share at a price of \$0.12. These options mature on May 22, 2019. The value of \$21,663 assigned to the options was calculated using the Black-Scholes option pricing model using the following assumptions: share price of \$0.10, expected forfeiture rate 0%, Dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.50% and an expected life of 5 years.

(c) On May 30, 2014 the Company granted 300,000 stock options to a newly appointed director. Each option is exercisable to acquire one common share at a price of \$0.12. These options mature on May 30, 2019. The value of \$20,380 assigned to the options was calculated using the Black-Scholes option pricing model using the following assumptions: share price of \$0.10, expected forfeiture rate 0%, Dividend yield 0%, expected volatility 100%, a risk-free interest rate of 1.62 and an expected life of 5 years.

(d) On March 31, 2014 a total of 1,037,500 stock options previously granted to consultants and a director, were cancelled, unexercised.

(e) Effective August 31, 2014 a total of 1,130,000 stock options previously granted to directors and consultants were cancelled.

(f) On January 12, 2015 a total of 892,250 stock options previously granted to consultants and directors expired, unexercised.

(g) Effective March 31, 2015, a total of 350,000 stock options previously granted to directors, consultants, and employees were cancelled.

The following summarizes the stock option activities during the years ended May 31, 2015 and 2014:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price (\$)</b>
<b>Balance - May 31, 2013</b>	<b>4,609,750</b>	<b>0.17</b>
Granted (Note 12(a-c))	3,400,000	0.12
Expired or cancelled (Note 12(d))	(1,037,500)	0.17
<b>Balance - May 31, 2014</b>	<b>6,972,250</b>	<b>0.15</b>
Expired or cancelled (Note 12(e-g))	(2,372,250)	0.16
<b>Options outstanding at May 31, 2015</b>	<b>4,600,000</b>	<b>0.14</b>

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

(h) The following summarizes the exercisable stock options outstanding at May 31, 2015:

<b>Number of Exercisable Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Estimated Fair Value At the date of grant (\$)</b>
300,000	\$0.16	December 5, 2015	40,683
1,000,000	\$0.12	February 1, 2017	86,500
200,000	\$0.25	March 15, 2016	31,008
300,000	\$0.25	March 15, 2018	92,996
2,200,000	\$0.12	February 28, 2019	197,209
300,000	\$0.12	May 22, 2019	21,663
300,000	\$0.12	May 30, 2019	20,380
<b>4,600,000</b>			

The weighted average contractual life remaining for stock options at May 31, 2015 is 2.93 (2014 – 3.22 years).

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of comparable companies. Changes in the underlying assumptions described in Note 12 can materially affect the fair value estimates.

The Company has valued the options granted to non-employees based on the fair value of the equity instruments granted in the absence of a reliable estimate of the fair value of the goods and services received.

### **13. RELATED PARTY TRANSACTIONS**

Transactions with related parties are incurred in the normal course of business.

- (i) During the year, management and administration fees of \$120,000 (2014 - \$159,114) and accounting fees of \$9,000 (2014 - \$15,590) plus applicable taxes were paid or accrued to two officers and one director of the Company for consulting services rendered. Included in accounts payable and accrued liabilities at May 31, 2015 is \$41,692 (2014 - \$nil) owed to the above related parties.
- (ii) During the year two officers and one director of the Company advanced \$12,800 (2014 - \$13,000) to the Company, to be used as working capital. These advances were non-interest bearing and were repaid prior to May 31, 2015.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**14. KEY EXECUTIVE COMPENSATION**

The Company has identified its directors and certain senior officers as its key management personnel. Directors receive no directors' fees.

The Compensation cost for key management personnel during the year is as follows:

	2015 (\$)	2014 (\$)
Management and administration fees	129,000	174,704
Share-based compensation	-	217,589
	<b>129,000</b>	<b>392,293</b>

**15. CAPITAL DISCLOSURES**

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.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to advance exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

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, 2015.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company may be exposed to a variety of financial risks by virtue of its activities, in particular: interest rate risk, credit risk, commodity price risk, currency risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by Management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

**(a) Interest Rate Risk**

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior Management is also actively involved in the review and approval of planned expenditures.

At May 31, 2015, the Company had \$119,198 (2014 -\$13,452) of cash to settle current trade and other payables of \$388,929 (2014 - \$188,587). These liabilities are short-term, due within 12 months, 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.

Historically the Company has been totally dependent on equity financing to fund its activities; however Management's current budgeting also includes additional sources of financing including royalty profit sharing, potential stock option and warrant exercises and bridge loans.

Excalibur's future success is highly dependent on viable production results and securing adequate financing through the above mentioned sources, to advance its projects and meet its ongoing obligations.

**(c) Credit Risk**

The Company is not exposed to any credit risks attributable to customers and does not engage in any sales activities. The Company's cash is held in major Canadian and International financial institutions.

**(d) Commodity Price Risk**

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of gold.

**(e) Currency Risk**

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. The Company has funded certain operations, exploration and administrative expenses in Mexico and Peru using US dollars and Mexican Pesos. The Company has been subject to gains and losses due to fluctuations in the US dollar and Mexican Peso against the Canadian dollar. Management believes the sensitivity of fluctuations in foreign currencies to be immaterial to the net loss.

**(f) Fair Value**

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

Changes in assumptions could significantly affect estimates.

The carrying values of cash, sundry receivables and trade and other payables approximate fair values due to the relatively short term maturities of these instruments.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

**17. COMMITMENTS AND CONTINGENCIES**

The Company's exploration activities are subject to various federal, and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive.

**18. SEGMENTED INFORMATION**

At May 31, 2015, the Company has one operating and reporting segment being its exploration operations. In fiscal 2014 it had four geographical segments, being Canada, Mexico, USA and Peru. See Note 19 – *Discontinued Operations*. The Company's information about its assets and net loss by geographic location is detailed below:

<b>May 31, 2015</b>	<b>Property, Plant and Equipment (\$)</b>	<b>Mining Interests/ Writedowns (\$)</b>	<b>Total Assets (\$)</b>	<b>Net Income (Loss) (\$)</b>
Canada	660	-	134,419	(314,865)
Mexico	-	(4,758,203)	-	(4,758,203)
Peru, USA	-	(120,847)	-	(120,847)
	<b>660</b>	<b>(4,879,050)</b>	<b>134,419</b>	<b>(5,193,915)</b>

<b>May 31, 2014</b>	<b>Property, Plant and Equipment (\$)</b>	<b>Mining Interests/ Writedowns (\$)<sup>(1)</sup></b>	<b>Total Assets (\$)</b>	<b>Net Income (Loss) (\$)</b>
Mexico	312,002	4,288,362	4,954,196	40,055
Canada	1,258	-	109,120	(2,709,412)
Peru, USA	-	74,676	74,676	-
	<b>313,260</b>	<b>4,363,038</b>	<b>5,137,992</b>	<b>(2,669,357)</b>

<sup>(1)</sup> During the year ended May 31, 2014, the Company recorded an impairment loss for its Canadian exploration projects of \$1,990,491.

**19. DISCONTINUED OPERATIONS**

On May 27, 2015, the Company completed the sale of its 49% interest in Minera Catanava S.A. ("MCSA") to its 51% partner Minera Apolo S.A. (MASA) by transferring all the shares of MCSA to MASA for USD\$75,000.

The Company has presented the disposal of the shares of MCSA as discontinued operations, and accordingly, has reclassified the results of operations of the discontinued operations during the year ended May 31, 2014.

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

The Company has disclosed the income and cash flow relating to the 49% interest in MCSA in these consolidated financial statements and has similarly reclassified prior period's amounts to show the effect of the sale on the Company's consolidated financial statements.

	May 31, 2015 (\$)	May 31, 2014 (\$)
Concentrate sales	(56,003)	-
Professional fees	35,000	-
Depreciation	63,304	99,827
Interest (income) expense	17,667	(57,704)
VAT receivable	-	70,565
Foreign exchange (gain) loss	(68,876)	(152,743)
<b>Loss (income) from discontinued operations before the Sale Transaction</b>	<b>(8,908)</b>	<b>(40,055)</b>
<b>Loss on the Sale Transaction</b>	<b>4,767,111</b>	<b>-</b>
<b>Total (gain) loss from discontinued operations</b>	<b>4,758,203</b>	<b>(40,055)</b>

The net cash flows provided by (used in) discontinued operations during the years ended May 31, 2015 and 2014 were \$348,003 and \$(1,664,705) respectively.

The breakdown of the net cash flows used in discontinued operations loss for the years ended May 31, 2015 and May 2014 is as follows:

	May 31, 2015 (\$)	May 31, 2014 (\$)
Net cash flows provided by operating activities	138,153	1,738,927
Net cash flows used in investing activities	(659,564)	(74,222)
Net cash flows provided by financing activities	869,414	-
Net cash flows provided by (used in) discontinued operations	<b>348,003</b>	<b>(1,664,705)</b>

**20. INCOME TAXES**

**(a) Income Tax Income**

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the consolidated financial statements:

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

**(b) Deferred Income Taxes**

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2015 (\$)	2014 (\$)
Amounts related to tax loss and credit carry-forwards	<b>1,010,104</b>	1,700,548
Capital assets	<b>7,135</b>	5,093
Share issue costs	<b>526</b>	11,595
Exploration expenditures	<b>689,349</b>	168,699
Net deferred tax asset	<b>1,707,114</b>	1,776,052
Less: deferred taxes not recognized	<b>(1,707,114)</b>	(1,776,052)
	-	-

**(c) Loss Carry Forwards**

The Company has non-capital tax loss carry forwards in Canadian dollars expiring as follows:

	Canada (\$)
2015	188,700
2026	207,600
2027	327,000
2028	298,300
2029	207,600
2030	228,100
2031	430,300
2032	539,900
2033	717,600
2034	421,700
2035	237,100

	2015 (\$)	2014 (\$)
Loss before income taxes	<b>(5,193,915)</b>	(2,669,357)
Statutory rate	<b>26.5%</b>	26.5%
Expected income tax recovery	<b>(1,376,387)</b>	(707,379)
Share-based compensation and other non-deductible expenses	<b>27</b>	80,663
Expiry of losses	<b>42,904</b>	-
Sale of subsidiary	<b>2,048,822</b>	-
Change in valuation allowance	<b>(702,271)</b>	633,332
Change in tax rates and other	<b>(13,095)</b>	(6,616)
	-	-

**Excalibur Resources Ltd.**  
**Notes to Consolidated Financial Statements**  
(In Canadian dollars)  
**Years Ended May 31, 2015 and 2014**

---

**21. SUBSEQUENT EVENT**

In July 2015, the Company purchased 70 tons of copper ore in Peru for US \$27,000, which was resold in August for US \$38,766 generating the first profit on an ore trade.