



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended May 31, 2015

September 25, 2015

Excalibur Resources Ltd.

Management's Discussion & Analysis Year ended May 31, 2015

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, 2015. This MD&A has been prepared as at September 25, 2015 unless otherwise indicated. This MD&A should be read in conjunction with our consolidated annual financial statements and notes related thereto for the year ended May 31, 2015 (the "Annual 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 OTCQB:EXCFF) was incorporated on May 11, 1983 pursuant to the Company Act (British Columbia) under the name Cactus West Explorations Ltd. The Company was extra-provincially registered in the Province of British Columbia on May 30, 2000 and on February 20, 2007 the Company completed a change of business transaction pursuant to which it changed its name to Excalibur Resources Ltd. The Company was registered in the Province of Ontario on January 24, 2011.

Excalibur is a junior mining company focused on the discovery, development, mining and ore trading of economically viable precious and base metal mineral resources. Its head office and principal address is located at 8 King St. East, Ste. 1010, Toronto, Ontario, M5C 1B5.

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

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Fiscal 2015 RESULTS:

- Minera Catanava S.A. ("MCSA"), of which Excalibur was a 49% owner, was unable to achieve positive cash flow during 2015, for several reasons including disappointing grades and recoveries and dysfunctional equipment and water shortages. In addition, it was difficult to attract and keep effective project management and impossible to collect the IVA or refundable sales taxes from the Mexico authorities. Given the resulting challenges and disappointments, there was no justification for further investment and the Company sold its interest in the MCSA operations to its 51% partner, Minera Apolo S.A., ("MASA") just prior to year-end. *See Project Review*

Finance:

- In June 2014 an investor advanced the Company \$100,000 to reduce payables and fund more miners at the San Pedro, Peru operation, as part of a future private placement
- In September 2014, a shareholder advanced \$50,000 to the Company as a one-year 12% bridge loan.
- In October 2014 the Company was released from any further restoration obligations at the Company's inactive Silver King project, which resulted in the return of a \$10,000 bond to treasury
- In November 2014 a shareholder advanced US\$50,000 to the Company in the form of a royalty note on production from San Pedro
- In April 2015 a shareholder advanced US\$50,000 to the Company as a six month 15% bridge loan.
- Management has requested extensions from the Lenders of these short term loans, where applicable

Projects:

- In May 2015, the Company sold its 49% interest in Minera Catanava for USD\$75,000. *See Projects Review*
- To date the Company has advanced \$60,447 for mining concessions costs and working capital for financing informal gold mining operations and copper ore trading operations in Peru. *See Projects Review*
- The sustained malaise in the mining resource sector has prompted Management to look at other sectors including the burgeoning healthcare industry to evaluate other potential opportunities to diversify the Company's operations

OVERALL PERFORMANCE – Financial position, operating results and cash flows

Financial Position

At period end, the Company has \$119,198 cash (May 31, 2014 - \$13,452) to service total liabilities of \$388,929 and accumulated losses of \$20,646,034 (May 31, 2014 - \$15,452,119). The Company has no long term debt. Similar to other junior mining companies, Excalibur currently lacks sufficient funds to continue operating in the normal course; this low cash position resulted in the Company selling its interest in Minera Catanava to its operating partner in this year (May 2015) and discontinuing exploration at its Canadian projects last year (June 2014). Subsequent to year end Management realized on an opportunity by purchasing 70 tons of copper ore for US\$27,000 and selling it for US\$38,766 which yielded US\$11,766 to the Company treasury. *See Project Review*. The Company continues to rely on short term loans to meet its financial obligations. *See Cash Flows*.

Management is actively identifying and evaluating other business opportunities in order to generate positive cash flow for working capital and debt repayment. However, the current financial equity market conditions

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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.

Operating Results - F2015 compared to F2014

For the year ended May 31, 2015, day-to-day operating costs (therefore not including share-based compensation expense, impairment losses and discontinued operations) decreased 33% to \$276,813 (2014 – \$417,720). No rent was paid during the period which contributed to a savings of almost \$10,000. Since late 2013, the Corporate Secretary function has been performed primarily in-house thereby realizing a savings of more than \$19,000. Investor relations decreased from \$139,255 to \$76,260 when in house communications and shareholder relations staff were terminated. Included in the \$76,260 is the engagement of Frontier Capital Inc., a professional investor relations group engaged to assist the company by facilitating in-person introductions for Excalibur with institutional and retail brokers and investors. This \$60,000 contract was paid for through Frontier's investment of \$100,000, was finished in May 2015 and not renewed. Management fees were reduced by 25% (a savings of \$45,704) with lower fees paid to the CFO and the elimination of the outside corporate secretarial cost. Management reduced all corporate expenses where possible, for example, realizing a savings of \$15,000 in insurance premiums by subscribing to a more appropriate level of liability coverage given the reduction in operating activities. Since the Company was financed through debt, interest expense of \$5,528 was incurred.

On the revenue side, approximately \$56,000 was realized from the sale of gold concentrate in Mexico. This inflow of cash was applied to working capital at the MCSA operation. There was no material interest income (2014 - \$4,633) due to the higher cash balances held last year. A higher foreign exchange loss of \$42,546 (2014 -\$5,384) was recorded due to the movement in the Mexico peso on much higher advances to Mexico (\$982,400 in 2014 compared to \$32,000 in 2015). The Company has never undertaken currency hedging activities to mitigate its foreign currency risk due to the infrequency and size of regular transactions.

Cash Flows

Working capital for the Company's projects in Mexico and Peru was raised through private investor loans in Mexico and through subscription receipts and private shareholder loans in Canada. A total of \$869,414 was raised in Mexico and \$275,779 was raised in Canada. Management continues to look for additional sources of financing the Company's ongoing operations through loans and equity financings and ore trading sales.

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 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.

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The following income and cash flow results, relating to the 49% interest in MCSA, was disclosed in the Company's annual financial statements. The reader will note that the Company included similarly reclassified prior period's amounts to show the effect of the sale on the Company's annual 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)
Loss (income) from discontinued operations before the Sale Transaction	(8,908)	(40,055)
Loss on the Sale Transaction	4,767,111	-
Total loss from discontinued operations	4,758,203	40,055

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 activities	348,003	(1,664,705)

SELECTED PERIOD INFORMATION

Financial Position	May 31, 2015 (\$)	May 31, 2014 (\$)
Cash	119,198	13,452
Prepaid expenses and sundry receivables	7,279	102,993
HST and IVA receivables	7,282	321,187
Exploration and evaluation assets	-	4,363,038
Property, plant & equipment, reclamation bonds and guarantee deposits	660	337,322
Total assets	134,419	5,137,992
Total liabilities	388,929	198,587
Shareholders' equity	(254,510)	4,939,405
Deficit	(20,646,034)	(15,452,119)

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Operating Results	Year ended May 31, 2015 (\$)	Year ended May 31, 2014 (\$)
Loss from continuing operations before other items	387,782	2,712,599
Interest expense (income)	5,384	(4,633)
Foreign exchange loss	42,546	1,446
Loss from continuing operations	435,712	2,709,412
Loss (gain) from discontinued operations	4,758,203	(40,055)
Net loss and comprehensive loss	5,193,915	2,669,357
Loss per share – basic and diluted		
Continuing operations	\$0.00	\$0.00
Discontinued operations	\$0.06	\$0.03
Weighted average number of common Shares outstanding – basic and diluted	82,924,831	79,128,941

Cash flows – Continuing operations	Year ended May 31, 2015 (\$)	Year ended May 31, 2014 (\$)
Net loss from continuing operations	(435,712)	(2,709,412)
Operating activities including depreciation, stock-based compensation, impairment loss and return of deposits	(46,030)	(22,261,372)
Cash used in operating activities	(481,742)	(448,040)
Exploration and evaluation assets expenditures	(36,293)	(69,348)
Cash used in investing activities	(36,293)	(69,348)
Private placement proceeds	-	500,000
Subscription receipts and short term loans	275,779	-
Cash provided by financing activities	275,779	-
Net cash flows for continuing operations	(242,256)	(17,388)
Net cash flows for discontinued operations	348,003	(1,664,705)
Net change in cash	105,746	(1,682,093)
Cash, beginning of year	13,452	1,695,545
Cash, end of year	119,198	13,452

RESULTS OF OPERATIONS

Financial Review -

After lengthy consideration and for the reasons previously stated, Management elected to sell its 49% interest in the Minera Catanava gold project before year-end. The Company received cash proceeds of US \$75,000 and is indemnified from any further financial commitment to this project. This resulted in a loss from discontinued operations of \$4,758,203.

There were no stock options granted in this fiscal year hence no annual expense has been recorded in 2015 (2014 - \$304,388). There are a total of 4,600,000 stock options outstanding with an average exercise price of \$0.14.

Management and administration fees, investor relations costs and office and general expenses were all lower in 2015 as a result of intentional cost conservation efforts. The Company moved its listing of common shares from the OTCQX to the OTCQB Markets Exchange during 2015 in order to reduce fees, which resulted in recording USD\$11,250 of regulatory and transfer agent fees which were not incurred in the prior year as they had been prepaid. Professional fees, which are mainly comprised of audit and tax preparation fees, are higher (\$27,132 versus \$14,483) in 2015 due to higher than expected audit costs for the 2014 year end. Additional work was performed that related to increased activities at Minera Catanava and these 2014 costs were borne in this fiscal year. Management has negotiated a lower audit fee for 2015 due to the significantly reduced activity level of operations. Interest expense of \$5,528 was accrued for the procured short term loans. Management has requested an extension for the loans that are due and owing.

Subsequent to year-end Management acted on an opportunity to realize a modest profit by purchasing and re-selling 70 tons of 16.8% copper ore, in Peru. Management will continue to identify and evaluate such opportunities if and when they are presented in order to achieve positive cash flow for minimal risk.

Project Review –

Catanava – Mexico – Discontinued Operations

For the history and full description of this project - see Excalbur's Annual Financial Statements at May 31, 2013 and 2014.

OPERATIONS UPDATE –

On June 3, 2015, the Company announced that it had sold its 49% interest in Catanava to its 51% partner, Minera Apolo S.A. ("MASA") for USD\$75,000 prior to year-end. Over a period of 5 years, the Catanava plant was unable to generate positive cash flow due to: lower than expected average grades, recoveries and concentrate purchase prices. In addition, there were ongoing equipment breakdowns, low volumes, and water shortages.

Moreover, MASA had, in August 2014, signed a LOI which would allow a capital pool company to acquire 60% of MASA as the Qualifying Transaction to go public on the TSX Venture Exchange and raise up to USD\$4,000,000.

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Peru, USA and Canada

San Pedro and Piura, Peru

Strategy –

In order to develop a second potential cash flow stream, Management decided to act on an alternative business strategy that would move the Company's focus from active producer to financing ore trading with informal miners, in Peru.

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, director of the Company. Through a modest investment in better equipment, ore production from the informal miners should increase on the San Pedro property, which is sold to a local toll mill or metal buyers.

On October 24, 2014 the Company began the process of acquiring second 900 hectares mineral concession from the Peru government through an agent, called San Pedro II, adjacent to San Pedro I, a gold concession held in the state of Piura in northern Peru, on the border of Ecuador. The Company continued to work with and provide equipment to local informal miners to increase production and in order to get a better price than selling the ore to local processing plants, 30 tons was shipped in December and sold to an international metal buyer in Lima, however, proceeds just covered the costs of doing the trade.

Results -

To date, these initiatives have been hampered by: plant closures by the Peruvian government and increased minimum tonnage requirements which resulted in lower per tonnage payments. In addition, for the last three months of the fiscal year, mining was stopped by an unprecedented rainfall and production continues to be intermittent and not significant enough for another sale. Hence, Management began looking into ore trades in other areas.

Subsequent Action -

As a result of these failed initiatives and in order to simplify and increase volumes in the Company's high grade ore purchasing strategy, the Company has been identifying and evaluating new possible sources of gold and copper ore. Management was able to act on one such source of ore and announced its first purchase of high grade 16.8% copper ore of 70 tons, in July 2015. This purchase and resale resulted in net proceeds of USD \$11,776 to the Company.

Arizona, USA

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.

Canada – Cariboo, Sturgeon Lake Claims and Silver King

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.

Effective May 31, 2014, the Company elected not to conduct any further exploration on its Canadian mineral claims and at May 31, 2014 recorded an impairment loss of \$360,520 on Cariboo and \$1,629,971 on Sturgeon Lake, bringing the carrying amounts of the Claims, to nil.

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EXPENDITURES UPDATE

ADDITIONAL DISCLOSURE FOR VENTURE COMPANIES WITHOUT SIGNIFICANT REVENUE

EXPLORATION AND EVALUATION EXPENDITURES ("E&E")

The majority of the E&E expended in 2015 occurred at Minera Catanava, Mexico from June until December 2015. These costs are related to security, plant, general mining, laboratory costs and general overhead (G&A).

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 the years ended May 31, 2015 and 2014:

	Catanava		Peru		Canada /USA		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
Operations:								
- lab/mine	103,566	519,004	-	-	-	-	103,566	18,837
- plant	254,637	632,767	-	-	-	-	254,637	216,446
- security	34,022	84,383	-	-	-	-	34,022	26,060
Assays	-	16,520	-	-	-	-	-	-
Geology consulting	-	108,588	41,171	19,276	5,000	55,400	46,171	-
G&A expenses	320,153	191,019	-	-	(9,878)	(5,328)	310,275	171,060
Less concentrate sales	(56,614)	-	-	-	-	-	(56,614)	(56,614)
Period Expenditures	\$655,764	\$1,552,281	\$41,171	\$19,276	\$(4,878)	\$50,072	\$692,057	\$1,621,629

SEGMENTED INFORMATION

At May 31, 2015, the Company has one operating and reporting segment being its exploration operations. It has four geographical segments, being Canada, Mexico, USA and Peru. The Company's information about its assets and net loss by geographic location is detailed below:

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

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

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

SUMMARY OF QUARTERLY RESULTS – see *Discontinued Operations*

Selected Period Information	Q4-2015	Q3-2015	Q2-2015	Q1-2015
Sales revenue	\$-	\$-	\$-	\$56,479
Interest income	-	-	-	-
Expenses	4,942,063	93,233	98,334	110,443
Net loss	(4,949,490)	(83,906)	(148,852)	(11,667)
Deficit, end of Quarter	20,646,034	15,696,544	15,612,638	15,463,786
Loss per share ⁽¹⁾	\$0.06	\$0.000	\$0.002	\$0.000

Selected Period Information	Q4-2014	Q3-2014	Q2-2014	Q1-2014
Sales revenue	\$-	\$-	\$-	\$-
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

(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 meet its working capital needs. Historically the Company has been successful in meeting this objective by completing private placements and a result of the exercise of warrants. During the reporting period, all efforts to raise funds through equity financings proved futile, however Management was successful in securing short term loans totaling \$869,411 and \$275,779, from private sources in Mexico and Canada. Some of the loans are interest-bearing and all of the loans are repayable with terms of one to two years. The Company has recently requested extensions from Lenders where applicable.

These financings have allowed the Company to continue on an "essentials only" basis however the Company's ability to continue as a going concern is dependent on raising additional capital for corporate costs, debt repayments, funding mining operations in Peru and evaluating other potential opportunities to generate revenue.

At May 31, 2015, the Company had current assets of \$133,759 (May 31, 2014 - \$225,935) to settle trade payables of \$113,151 (2014 - \$188,587) and service short-term debts of \$275,778 (2014 - \$nil). The Company has no long-term debt. The Company will continue to be financing-dependent until achieving positive cash flow from operations. Management is hopeful that it will be able to raise sufficient cash to fund

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its operations in the future through positive cash flow from operations, equity financing, the exercise of options and warrants, joint venture arrangements, and short term loans but there is no assurance of this.

Commitments and Contingencies

- i) The Company's exploration 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.
- ii) See Annual Financial Statements – Subscription Receipts and Other Loans

CAPITAL STOCK, WARRANTS AND STOCK OPTIONS

Capital Stock -

The Company is authorized to issue an unlimited number of common shares without par value. There were no share issuances during the year ended May 31, 2015.

The Company's current share capital is as follows:

	Number of Shares	Value
Balance - June 1, 2013	78,424,831	\$16,375,401
Shares issued during the period	-	-
Balance - November 30, 2013	78,424,831	\$16,375,401
Shares issued for private placements	4,500,000	500,000
Less fair value of warrants		(156,053)
Balance - May 31, 2014 and May 31, 2015	82,924,831	\$16,719,348

Warrants - There were no warrants issued during the year ended May 31, 2015.

- 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.
- c) On May 22, 2014 a total of 2,000,000 share purchase warrants were issued in connection with a private placement.

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 9 and 10 can materially affect the fair value estimates.

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

	Number of Warrants and Broker Warrants	Weighted Average Exercise Price (\$)	Estimated Fair Value at Date of Grant (\$)
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 and 2015	4,500,000	0.15	156,053

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

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.

There were no stock options granted during the year ended May 31, 2015.

(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.

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(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:

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

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

Number of Exercisable Options	Exercise Price	Expiry Date	Estimated Fair Value(\$) At the date of grant
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
4,600,000			

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 10 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.

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.

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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/IVA RECOVERABLE

The carrying amount of GST/HST/IVA 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.

(i) During the year, management and administration fees of \$120,000 (2014 - \$159,114) and accounting consulting fees of \$9,000 (2014 - \$15,590) plus applicable taxes were paid or accrued to two officers of the Company and one director, 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.

(iii) 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:

	2015	2014
	\$	\$
Management and administration fees	129,000	174,704
Share-based compensation	-	217,589
	129,000	392,293

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 – See *Discontinued Operations*

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. *See Note 4 in the Annual Financial Statements.*

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.

Capital Requirements

Excalibur will require significant capital in order to fund its operating costs, future indebtedness and to explore and develop any project. The Company has no significant revenues and is wholly reliant upon outside sources to fund all of its capital requirements.

Management remains optimistic about identifying and securing sufficient funding to continue operating as a going concern but there can be no assurance of this.

Exploration Development and Operating Risk

Mineral exploration and development 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.

Management is focusing its efforts on the projects it believes are closest to being cash flow positive but there is no guarantee that the Company will be profitable in the future.

Title

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.

Management believes it has taken the steps necessary 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 and development of such properties, however these procedures do not guarantee title.

Excalibur Resources Ltd.

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Government Regulation and Foreign Country Risk

Management is currently focusing on developing ore trading operations in Peru to achieve a predictable and producing 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.

Management mitigates government regulation and foreign country risk by a) sharing information with other junior mining company managements regarding Peru's economic and political climate and by b) engaging local professionals to advise the Company and by relying on German Castano, director, 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.

Management is unaware of any current environmental issues related to any of its projects.

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.

As Excalibur does not have a hedging policy and has no present intention to establish one, the Company has no protection from declines in mineral resource prices.

OUTSTANDING SHARE DATA

As at	May 31 , 2015	May 31, 2014
Issued shares outstanding	82,924,831	82,924,831
Stock options outstanding	4,600,000	6,972,250
Warrants outstanding	4,500,000	4,500,000
Total Share Capital – Common Shares - Fully Diluted	92,024,831	94,397,081

OUTLOOK

Excalibur's Strengths:

- seasoned management and exploration team to evaluate potential projects

Excalibur's Challenges:

- raising capital for potential projects in stagnant capital markets
- achieving positive results from ore trading activities
- dependent on buoyant commodity price to attract and maintain investor support
- identifying, financing and procuring additional projects to expand asset base