



**Consolidated Financial Statements
Years Ended May 31, 2016 and 2015
(In Canadian dollars)**

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INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Excalibur Resources Ltd.

We have audited the accompanying consolidated financial statements of Excalibur Resources Ltd. and its subsidiary, which comprise the consolidated statements of financial position as at May 31, 2016 and May 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years ended May 31, 2016 and May 31, 2015 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 subsidiary as at May 31, 2016 and May 31, 2015 and its financial performance and its cash flows for the years ended May 31, 2016 and May 31, 2015 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

Chartered Professional Accountants
Licensed Public Accountants
September 27, 2016
Toronto, Ontario

Excalibur Resources Ltd.

Consolidated Statements of Financial Position

(In Canadian dollars)

As at	May 31, 2016	May 31, 2015
	(\$)	(\$)
Assets		
Current		
Cash	4,101	119,198
Prepaid expenses and sundry receivables	19,194	7,279
HST receivable	11,774	7,282
	35,069	133,759
Non-current		
Equipment (note 7)	-	660
	35,069	134,419
Liabilities		
Current		
Trade and other payables	63,425	113,151
Subscription receipts (note 8(a))	100,000	100,000
Other loans (note 8(b))	133,412	175,778
	296,837	388,929
Shareholders' Equity (Deficit)		
Capital stock (note 9)	16,919,348	16,719,348
Warrants (note 10)	-	156,053
Contributed surplus	3,672,176	3,516,123
Deficit	(20,853,292)	(20,646,034)
	(261,768)	(254,510)
	35,069	134,419

Nature of operations and Going concern (note 1)

Exploration and evaluation assets (note 5)

Discontinued operations (note 17)

Subsequent events (note 19)

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)

Years Ended May 31	2016	2015
	(\$)	(\$)
Corporate administrative expenses		
Management and administrative fees	130,000	129,000
Impairment loss (<i>note 5</i>)	-	110,969
Evaluation expenses (<i>note 6(b)</i>)	35,102	-
Regulatory and transfer agent	22,860	31,886
Office and general expenses	11,501	11,937
Professional fees	6,078	27,132
Promotional and investor relations	5,631	76,260
Depreciation	660	598
Total expenses	(211,832)	(387,782)
Other items		
Gain on sale of copper ore (<i>note 6(a)</i>)	15,040	-
Other income (<i>note 5(c)</i>)	7,000	-
Interest expense	(15,913)	(5,384)
Loss on foreign exchange	(1,553)	(42,546)
Loss for the year from continuing operations	(207,258)	(435,712)
Discontinued operations		
Loss from discontinued operations (<i>note 17</i>)	-	(4,758,203)
Total net loss and comprehensive loss for the year	(207,258)	(5,193,915)
Loss per share – basic and diluted		
Continuing operations	\$0.00	\$0.00
Discontinued operations	\$0.00	\$0.06
Weighted average number of common shares outstanding – basic and diluted	83,635,214	82,924,831

See accompanying notes to the consolidated financial statements

Excalibur Resources Ltd.

Consolidated Statements of Cash Flows

(In Canadian dollars)

Years ended May 31,	2016	2015
	(\$)	(\$)
Operating activities		
Net (loss) from continuing operations	(207,258)	(435,712)
Items not affecting cash:		
Depreciation	660	598
Impairment loss	-	110,969
Reclamation bonds and guarantee deposits	-	(10,000)
Accrued interest	15,134	5,383
Net changes in non-cash working capital		
Prepaid expenses and sundry and HST receivables	(16,407)	32,182
Trade and other payables and accrued liabilities	(49,726)	(185,162)
Cash used in operating activities	(257,597)	(481,742)
Investing activities		
Exploration and evaluation expenditures	-	(36,293)
Cash used in investing activities	-	(36,293)
Financing activities		
Proceeds from shares issued pursuant to private placements	142,500	-
Subscription receipts	-	100,000
Other loans	-	175,779
Cash provided by financing activities	142,500	275,779
Net cash flows for continuing operations	(115,097)	(242,256)
Net cash flows for discontinued operations (note 17)	-	348,003
	(115,097)	105,746
Cash, beginning of year	119,198	13,452
Cash, end of year	4,101	119,198
Supplemental disclosure		
Other loans converted into shares	57,500	-

See accompanying notes to the consolidated financial statements

Excalibur Resources Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(In Canadian dollars)

For the years ended May 31

		Issued Capital	Equity Reserves			
	Number of Shares	Capital Stock (\$)	Warrants (\$)	Contributed Surplus (\$)	Accumulated Deficit (\$)	Total (\$)
Balance – May 31, 2014	82,924,831	16,719,348	156,053	3,516,123	(15,452,119)	4,939,405
Net loss for the year	-	-	-	-	(5,193,915)	(5,193,915)
Balance – May 31, 2015	82,924,831	16,719,348	156,053	3,516,123	(20,646,034)	(254,510)
Private placement shares issued (<i>note 9</i>)	7,125,000	142,500	-	-	-	142,500
Shares issued on conversion of loan (<i>note 8(b)(ii)</i>)	2,875,000	57,500	-	-	-	57,500
Warrants expired (<i>note 10</i>)	-	-	(156,053)	156,053	-	-
Net loss for the year	-	-	-	-	(207,258)	(207,258)
Balance – May 31, 2016	92,924,831	16,919,348	-	3,672,176	(20,853,292)	(261,768)

See accompanying notes to the consolidated financial statements

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 precious metals royalty and streaming company engaged in the acquisition and management of precious metal royalties, streams and similar production-based interests. Previously, the Company was focused on the discovery, development, mining and ore trading of economically viable precious and base metal resources.

The Company is listed on The Canadian Securities 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. These uncertainties, 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 Company's consolidated financial statements were authorized for issue by the Board of Directors on September 16, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Consolidation

For the year ended May 31, 2016, 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.

From 2010 to 2015, the Company owned a 49% interest in Minera Catanava S.A. de C.V., ("MCSA"), a company focused on the completion of a 150 tonne-per-day gold-silver operation in the Municipality of Pinos in the state of Zacatecas, Mexico. On May 27, 2015, after five years of unprofitable mining, the Company sold its interest in MCSA for USD \$75,000. Therefore, for the year ended May 31, 2015, these consolidated financial statements include the accounts of the Company's MCSA interest 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 IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended May 31, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 periods 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 futures 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 subsidiary is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currencies of the Company and its subsidiary 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.

2.7 Revenue

Gain on sale of copper ore comprises net revenue earned in the period from purchase and resale of copper ore. Revenue is recognized upon delivery when significant risks and rewards of ownership of metal or metal- bearing concentrate passes to the buyer, it is probable that the economic benefits will flow to the Company, revenue can be reliably measured, and collection is reasonably assured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, royalties and sales taxes or duty.

2.8 Share Issuance Costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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

2.10 Exploration and Evaluation Assets

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.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 10 and 11 would be anti-dilutive.

2.12 Stock-Based Compensation

The Company has a stock-based compensation plan as described in note 11. 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 stock-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 non-employee 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 financial 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial Instruments (cont'd)

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 financial liabilities
Subscription receipts	Other financial liabilities
Other loans	Other financial liabilities

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) 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 NOT YET ADOPTED

(a) Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2016 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 its impact on the Company:

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.

(b) Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

The following has not yet been adopted and are being evaluated to determine its impact on the Company:

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). 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, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is 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, 2018. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

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

Critical Judgments

There are no critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

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.

As at May 31, 2016 and 2015, 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 equipment

The Company's equipment is 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, 2016 and 2015, management believes that the Company has no material obligation for decommissioning.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

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.

5. EXPLORATION AND EVALUATION ASSETS

(a) PERU

During the year ended May 31, 2016, the Company recorded \$nil (2015 - \$41,171) for mineral concession costs and working capital for Peru activities.

(b) MEXICO

In 2010 Excalibur formed a company with Minera Apolo S.A. de C.V. which 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. After five years of unprofitable mining, the Company sold its 49% interest for \$75,000 USD. See note 17 – Discontinued Operations.

(c) CANADA

Sturgeon Lake Claims

On October 30, 2015, the Company optioned and in April 2016 sold its interest in 12 claims at Sturgeon Lake for proceeds of \$7,000.

Silver King

During the year ended May 31, 2015, the Company satisfied the reclamation requirements at Silver King project and accordingly was able to recover a \$10,000 bond originally lodged to meet any potential reclamation costs.

(d) USA

Tailings Project

From May to November 2014, the Company expended a total of \$60,400 on the due diligence for a future investment in a tailings project in Arizona, USA. During the year ended 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 and wrote off the carrying amount to nil.

Excalibur Resources Ltd.
Notes to Consolidated Financial Statements
(In Canadian dollars)
Years Ended May 31, 2016 and 2015

5. EXPLORATION AND EVALUATION ASSETS (CONT'D)

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

	June 1, 2014	Additions/ Adjustments	Impairment/ Write-downs	May 31, 2015
	\$	\$	\$	\$
San Pedro, Peru ^(a)				
Exploration & Evaluation	19,276	41,171	60,447	-
Total	19,276	41,171	(60,447)	-
Minera Catanava ^(b)				
Exploration & Evaluation	4,288,362	655,764	-	4,944,126
Disposals (note 17)	(4,288,362)	(655,764)	-	(4,944,126)
Total	-	-	-	-
Canada ^(c)				
Recovery of reclamation bond	-	(10,000)	10,000	-
Exploration and evaluation	-	122	(122)	-
Total	-	(9,878)	9,878	-
Other – USA ^(d)	55,400	5,000	(60,400)	-
Total E&E Assets	74,676	36,293	(110,969)	-

During the year ended May 31, 2016, the Company did not incur any expenses related to exploration.

6. OTHER MINING ACTIVITIES

Excalibur Resources Ltd. is a precious metals royalty and streaming company engaged in the acquisition and management of precious metal royalties, streams and similar production-based interests.

(a) In July 2015 the Company completed the purchase of 70 tons of high grade, 16.8% copper ore in Peru for \$35,600, which was resold in August for \$50,640, generating the Company's first profit on an ore trade.

(b) During the year ended May 31, 2016 the Company recorded \$35,102 (2015 - \$nil) of evaluation expenses for consulting and travel expenses to examine potential production-based acquisitions in Peru.

Excalibur Resources Ltd.
Notes to Consolidated Financial Statements
(In Canadian dollars)
Years Ended May 31, 2016 and 2015

7. EQUIPMENT – see note 17 Discontinued operations

Cost	Tools \$	Furniture and Fixtures \$	Equipment \$	Computers and Software \$	Total \$
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)
At May 31, 2015	-	2,991	-	-	2,991
At May 31, 2016	-	2,991	-	-	2,991
Accumulated Depreciation	Tools \$	Furniture and Fixtures \$	Equipment \$	Computers and Software \$	Total \$
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)
At May 31, 2015	-	2,331	-	-	2,331
Additions	-	660	-	-	660
At May 31, 2016	-	2,991	-	-	2,991
Net Book Value	Tools \$	Furniture and Fixtures \$	Equipment \$	Computers and Software \$	Total \$
At May 31, 2015	-	660	-	-	660
At May 31, 2016	-	-	-	-	-

8. 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.

(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. During the year ended May 31, 2016, \$6,000 (2015 - \$4,290) was recorded as interest expense. As at May 31, 2016 a total of \$10,290 of interest has been accrued to other loans in the statement of financial position. The balance of the loan is outstanding and expected to remain outstanding until an equity financing can be completed.

ii) On November 6, 2014 a shareholder advanced US\$50,000 (CAD\$57,500) to the Company in the form of a royalty note on production from San Pedro. No payments were made due to lack of production at San Pedro. On May 6, 2016, the shareholder converted the loan to 2,875,000 common shares as a subscriber to a private placement. See note 9 - Capital Stock.

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8. SUBSCRIPTION RECEIPTS and OTHER LOANS (CONT'D)

(b) Other loans - notes payable (cont'd)

iii) On April 16, 2014 a shareholder advanced US\$50,000 (CAD\$62,750) to the Company as a six-month 15% bridge loan. During the year ended May 31, 2016, \$9,912 (2015 - \$1,238) has been recorded as interest expense. As at May 31, 2016, a total of \$11,150 of interest has been accrued in other loans in the statement of financial position. The balance of the loan is outstanding and expected to remain outstanding until an equity financing can be completed.

9. CAPITAL STOCK

Authorized: an unlimited number of common shares without par value

Issued and outstanding common shares:

	Number of Shares	Value
Balance - May 31, 2014 and 2015	82,924,831	\$16,719,348
Shares issued for private placement (a)	7,125,000	142,500
Shares issued on conversion of loan(8(b)(iii))	2,875,000	57,500
Balance - May 31, 2016	92,924,831	\$16,919,348

(a) On May 6, 2016, the Company completed a non-brokered private placement financing for \$142,500 through the sale of 7,125,000 common shares at \$0.02 per share.

10. WARRANTS

(a) During the year ended May 31, 2016, there were no new warrants issued and all 4,500,000 outstanding warrants, expired.

The following summarizes the warrants activity and outstanding warrants for the years ended May 31, 2016 and 2015:

	Number of Warrants and Broker Warrants	Weighted Average Exercise Price (\$)	Estimated Fair Value at Date of Grant (\$)
Balance – May 31, 2014 and 2015	4,500,000	0.15	156,053
Expired	(4,500,000)	(0.15)	(156,053)
Balance – May 31, 2016	-	-	-

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

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

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

(d) Effective August 31, 2015, a total of 200,000 stock options previously granted to employees were cancelled.

(e) On December 5, 2015, a total of 300,000 previously granted to a director, expired.

(f) On March 15, 2016, a total of 200,000 stock options previously granted to a consultant, expired.

The following summarizes the stock option activities during the years ended May 31, 2016 and 2015:

	Number of Options	Weighted Average Exercise Price (\$)
Balance - May 31, 2014	6,972,250	0.15
Expired or cancelled (<i>note 10(a,b,c)</i>)	(2,372,250)	0.16
Balance - May 31, 2015	4,600,000	0.14
Expired or cancelled (<i>note 10(d,e,f)</i>)	(700,000)	0.19
Options outstanding at May 31, 2016	3,900,000	0.13

The following summarizes the exercisable stock options outstanding at May 31, 2016:

Number of Exercisable Options	Exercise Price	Expiry Date	Estimated Fair Value (\$) At the date of grant
900,000	\$0.12	February 1, 2017	77,850
200,000	\$0.25	March 15, 2018	61,997
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
3,900,000			

The weighted average contractual life remaining for stock options at May 31, 2016 is 2.26 years (2015 – 2.93 years).

11. STOCK-BASED COMPENSATION (CONT'D)

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 the Company. Changes in the underlying assumptions described in note 11 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.

12. RELATED PARTY TRANSACTIONS

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

(i) During the year ended May 31, 2016, management fees of \$120,000 (2015 - \$120,000) and accounting consulting fees of \$10,000 (2015 - \$9,000) plus applicable taxes were paid or accrued to officers of the Company for services rendered. Included in accounts payable and accrued liabilities at May 31, 2016 is \$4,520 (2015 - \$41,692) owed to the above related parties.

(ii) During the year ended May 31, 2016, an officer of the Company advanced \$1,700 to the Company, to be used as working capital. This advance was non-interest bearing and repaid prior to May 31, 2016.

(iii) In May 2016, a director and officer of the Company purchased 621,000 common shares through a private placement for proceeds of \$12,420. This amount was recorded as a sundry receivable at May 31, 2016 and the proceeds were received in June 2016.

13. 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:

	2016	2015
	(\$)	(\$)
Management and administration fees	130,000	129,000

14. 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.

14. CAPITAL DISCLOSURES (CONT'D)

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the acquisition and management of precious metal royalties, streams and similar production-based interests. To secure the additional capital necessary to pursue these plans, the Company will 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, 2016.

15. 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's other loans payable incur interest at fixed rates. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

(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, 2016, the Company had \$4,101 (2015 - \$119,198) of cash to settle current trade and other payables of \$296,837 (2015 - \$388,929). These liabilities are short-term, due within 12 months, and non-interest bearing.

Historically the Company has relied on equity financing, loans and ore sales to fund its activities. Management's current budgeting also includes additional sources of financing including cash flows from royalty and streaming investments, potential stock option exercises and debt financing.

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

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(c) Credit Risk

The Company is not exposed to any credit risks attributable to customers and does not engage in any significant revenue activities. The Company's cash is held in a major Canadian financial institution.

(d) Commodity Price Risk

The future profitability of the Company is directly related to the market price of gold, silver and copper.

(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 in the past, and may fund in the future, certain operations including corporate and administrative expenses in US dollars or other foreign currencies. The Company has been subject to gains and losses due to fluctuations in the certain currencies including US dollars and Mexican Pesos 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.

16. SEGMENTED INFORMATION

At May 31, 2016, the Company's operations comprised a single reporting operating segment engaged acquisition and management of precious metal royalties, streams and similar production based interests. Cash of \$4,101 (2015 - \$119,198) is held in Canadian chartered banks.

	Property, Plant and Equipment	Mining Interests/ Writedowns	Total Assets	Net Income (Loss)
May 31, 2016	(\$)	(\$)	(\$)	(\$)
Canada	-	-	35,069	(207,258)

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16. SEGMENTED INFORMATION (CONT'D)

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)

17. 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 US\$75,000.

For the period ended May 31, 2015, the Company has presented the disposal of the shares of MCSA and the income and cash flow related to the 49% interest in MCSA as discontinued operations.

The following tables shows the effect of the sale on the Company's consolidated financial statements:

	May 31, 2015 (\$)
Concentrate sales	(56,003)
Professional fees	35,000
Depreciation	63,304
Interest (income) expense	17,667
VAT receivable	-
Foreign exchange gain	(68,876)
Income from discontinued operations before the Sale Transaction	(8,908)
Loss on the Sale Transaction	4,767,111
Total loss from discontinued operations	4,758,203

The net cash flows provided by (used in) discontinued operations during the year ended May 31, 2015 was \$348,003.

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17. DISCONTINUED OPERATIONS (CONT'D)

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

	May 31, 2015
	(\$)
Net cash flows provided by operating activities	138,153
Net cash flows used in investing activities	(659,564)
Net cash flows provided by financing activities	869,414
Net cash flows provided by (used in) discontinued operations	348,003

18. 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:

May 31,	2016	2015
	(\$)	(\$)
Loss before income taxes	(207,258)	(5,193,915)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(54,923)	(1,376,387)
Non-deductible expenses	8,729	27
Expiry of losses	50,006	42,904
Sale of subsidiary	-	2,048,822
Change in valuation allowance	653,785	(702,271)
Prior year estimates and other	(657,597)	(13,095)
	-	-

(b) Deferred Income Taxes

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

May 31,	2016	2015
	(\$)	(\$)
Amounts related to tax loss and credit carry-forwards	1,684,062	1,010,104
Capital assets	7,310	7,135
Share issue costs	-	526
Exploration expenditures	669,527	689,349
Net deferred tax asset	2,360,899	1,707,114
Less: deferred taxes not recognized	(2,360,899)	(1,707,114)
	-	-

18. INCOME TAXES (CONT'D)

(c) Loss Carry Forwards

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

	Canada
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	337,400
2036	175,600

19. SUBSEQUENT EVENTS

(a) Subsequent to year-end, on July 15, 2016, the Company granted stock options to certain officers, directors and a consultant. These stock options are exercisable for an aggregate of 5,300,000 common shares, at an exercise price of \$0.07 per common share, for a period of five years from the date of grant. The options vest immediately.

(b) On September 1, 2016, the Company acquired a specialty streaming and royalty finance company for 10 million common shares of Company stock.

(c) On August 23, 2016, the Company acquired of a 2% royalty on the Mirado mine project ("Mirado") located in Kirkland Lake, Ontario, from Orefinders Resources Inc. ("Orefinders"). A secured one-year debenture of \$450,000 was provided in return for a financing bonus of \$180,000 plus 1,500,000 common shares of Orefinders', valued at \$90,000. In addition to the debenture, the Company made an investment of \$50,000 in return for an unsecured royalty capped at a maximum of \$105,000, payable out of Orefinders' profits from processing the stockpile, after paying all processing costs and repayment of the Loan. The acquisition proceeds will be used primarily as deposits on the trucking and milling contracts for the project.

(d) The Company also acquired i) a 2% net smelter royalty with total proceeds to be capped at \$1,000,000 on certain revenues from Orefinders' potential future production, ii) the right to purchase a 1% net smelter royalty during the life of Mirado for an additional \$2,000,000 after Orefinders attains commercial production and iii) a right of first refusal to provide any future stream financing component to Orefinders on its possible future Phase Two production from expansion of the open pit once a PEA has been completed and provided the financing is on reasonable and competitive commercial term consistent with industry standards. Orefinders may elect, at its option, to buy out 1% of the prior net smelter royalty for the sum of \$1,000,000.

Excalibur is funding these investments through a one-year \$500,000 loan plus a \$250,000 financing fee, 1 million Orefinders shares and 2.5 million five-year Excalibur warrants at \$0.15. The Company also borrowed \$50,000 from a shareholder for one month, due on September 30, 2016 for 250,000 warrants for five years at \$0.15.