
X-Cal Resources Ltd.

**INTERIM FINANCIAL STATEMENTS
(Unaudited)**

For the period ended September 30, 2007

P.O. Box 48479 Bentall Centre
Vancouver, BC V7X 1A0
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X-CAL RESOURCES LTD.

CORPORATE INFORMATION

DIRECTORS

John M. Arnold
William E. Bateman
Shawn M. Kennedy
Derek Bartlett
Robert Preston
Larry Kornze

AUDITORS

Smythe Ratcliffe LLP, Vancouver, British Columbia

SHARES LISTED

The Toronto Stock Exchange

TRANSFER AGENT

Computershare Investor Services Inc., Toronto, Canada

CORPORATE ADDRESS

PO Box 48479 Bentall Centre
Vancouver, BC V7X 1A0
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email: invrel@x-cal.com
Website: www.x-cal.com

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of X-Cal Resources Ltd. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised entirely of non-management directors.

These consolidated financial statements have not been audited by Smythe Ratcliffe LLP, Chartered Accountants.

"Shawn Kennedy"

Shawn Kennedy
President

Vancouver, British Columbia
October 17, 2007

X-Cal Resources Ltd. Consolidated Balance Sheets

| | September 30, 2007 (unaudited) | March 31, 2007 (audited) |
|---|-----------------------------------|-----------------------------|
| Assets | | |
| Current | | |
| Cash and term deposits | \$ 590,458 | \$ 1,867,650 |
| Receivables and prepayments | 430,821 | 139,605 |
| | <u>1,021,279</u> | <u>2,007,255</u> |
| Prepaid insurance (Note 4) | 1,824,098 | 1,948,918 |
| Reclamation bond – commutation account (Note 4) | 3,672,177 | 3,684,527 |
| Environmental bonds | 35,978 | 39,869 |
| Mineral property interests (Note 5) | 29,586,936 | 27,085,433 |
| Property and equipment (Note 6) | 76,709 | 82,857 |
| | <u>35,195,898</u> | <u>32,841,604</u> |
| | <u>\$ 36,217,177</u> | <u>\$ 34,848,859</u> |
| Liabilities | | |
| Current | | |
| Accounts payables and accrued liabilities | \$ 214,029 | \$ 446,928 |
| Reclamation and environmental obligation (Note 7) | 937,562 | 882,860 |
| | <u>1,151,591</u> | <u>1,329,788</u> |
| Shareholders' Equity | | |
| Capital stock (Note 8) | 47,747,747 | 47,234,247 |
| Contributed surplus (Note 8) | 3,311,764 | 3,169,750 |
| Deficit | <u>(15,993,925)</u> | <u>(16,884,926)</u> |
| | <u>35,065,586</u> | <u>33,519,071</u> |
| | <u>\$ 36,217,177</u> | <u>\$ 34,848,859</u> |
| Commitments (Note 11) | | |
| Subsequent Events (Note 12) | | |

(See accompanying notes to the consolidated financial statements)

On behalf of board:

"Shawn Kennedy"

Shawn Kennedy, Director

"John Arnold"

John Arnold, Director

X-Cal Resources Ltd.
Consolidated Statements of Operations and Deficit
(unaudited)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|------------------------|-----------------------------------|------------------------|
| | 2007 | 2006 | 2007 | 2006 |
| General and administrative expenses | | | | |
| Accounting and audit | \$ 4,700 | \$ 12,340 | \$ 17,200 | \$ 57,278 |
| Amortization | 6,199 | 5,894 | 12,100 | 12,968 |
| Equipment commissioning & testing | - | - | 50,000 | - |
| Insurance | 70,998 | 17,080 | 145,607 | 35,712 |
| Investor relations | 16,984 | 9,312 | 45,849 | 19,608 |
| Legal | 360 | 18,126 | 20,194 | 81,550 |
| Office and other | 9,567 | 8,831 | 19,159 | 36,142 |
| Regulatory fees | 7,465 | 20,440 | 21,736 | 55,047 |
| Rent | 9,582 | 14,852 | 16,129 | 28,625 |
| Salaries, consultants' and directors' fees | 27,208 | 131,847 | 71,527 | 400,791 |
| Shareholder communications | 47,823 | 41,717 | 62,690 | 57,256 |
| Stock-based compensation (Note 8) | - | 3,913 | 142,014 | 436,679 |
| Telecommunications | - | 6,335 | 1,705 | 16,705 |
| Travel | 7,230 | 42,204 | 59,265 | 77,011 |
| | <u>208,116</u> | <u>332,891</u> | <u>685,175</u> | <u>1,315,372</u> |
| Loss before other items | <u>(208,116)</u> | <u>(332,891)</u> | <u>(685,175)</u> | <u>(1,315,372)</u> |
| Other | | | | |
| Accretion expense | (27,351) | - | (54,702) | - |
| Foreign exchange gain (loss) | (47,903) | 24,209 | (43,330) | (125,092) |
| Gain on sale of property and equipment | - | 14,777 | - | 24,991 |
| Interest and other income | 39,012 | 32,016 | 82,468 | 41,753 |
| Sale of Mineral Property Interest | - | - | 1,591,740 | - |
| | <u>(36,242)</u> | <u>71,002</u> | <u>1,576,176</u> | <u>(58,348)</u> |
| Net income (loss) | <u>(244,358)</u> | <u>(261,889)</u> | <u>891,001</u> | <u>(1,373,720)</u> |
| Deficit, beginning of period | <u>(15,749,567)</u> | <u>(15,859,438)</u> | <u>(16,884,926)</u> | <u>(14,747,607)</u> |
| Deficit, end of period | <u>\$ (15,993,925)</u> | <u>\$ (16,121,327)</u> | <u>\$ (15,993,925)</u> | <u>\$ (16,121,327)</u> |
| Income (loss) per share | <u>\$ (0.002)</u> | <u>\$ (0.002)</u> | <u>\$ 0.007</u> | <u>\$ (0.012)</u> |
| Weighted average number of common shares outstanding | <u>125,163,826</u> | <u>121,048,298</u> | <u>124,660,843</u> | <u>109,476,878</u> |

(See accompanying notes to the consolidated financial statements)

X-Cal Resources Ltd.
Consolidated Statements of Cash Flow
(unaudited)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash derived from (applied to) | | | | |
| Operating | | | | |
| Net income (loss) | \$ (244,358) | \$ (261,889) | \$ 891,001 | \$ (1,373,720) |
| Stock-based compensation | - | 3,914 | 142,014 | 436,679 |
| Amortization | 6,199 | 5,894 | 12,100 | 12,968 |
| Accretion expense | 27,351 | - | 54,702 | - |
| Changes in non-cash working capital Receivables and prepayments, accounts payables and accrued liabilities | (306,984) | (195,843) | (524,116) | 100,168 |
| | <u>(517,792)</u> | <u>(447,924)</u> | <u>575,701</u> | <u>(823,905)</u> |
| Financing | | | | |
| Shares issued for cash, net of issuance costs | - | 1,120,000 | 150,000 | 10,098,315 |
| Investing | | | | |
| Mineral property acquisition | (157,725) | - | (157,725) | (5,000,000) |
| Mineral property expenditures | (655,769) | (676,571) | (2,189,216) | (989,253) |
| Purchase of property and equipment | (5,952) | 3,555 | 344,048 | (30,232) |
| | <u>(819,446)</u> | <u>(673,016)</u> | <u>(2,002,893)</u> | <u>(6,019,485)</u> |
| Net increase (decrease) in cash | (1,337,238) | (940) | (1,277,192) | 3,254,925 |
| Cash and term deposits Beginning of period | 1,927,696 | 4,545,135 | 1,867,650 | 1,289,270 |
| End of period | <u>\$ 590,458</u> | <u>\$ 4,544,195</u> | <u>\$ 590,458</u> | <u>\$ 4,544,195</u> |
| Non-cash investing and financing activities | | | | |
| Stock-based compensation capitalized in mineral property interests | \$ - | \$ - | \$ - | \$ 118,400 |
| Property acquisition | \$ - | \$ - | \$ 13,500 | \$ 3,200,000 |
| Reclamation and environmental obligation capitalized in mineral property interest | \$ - | \$ - | \$ - | \$ 563,778 |

(See accompanying notes to consolidated financial statements)

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

1. Description of Business and Nature of Operations

X-Cal Resources Ltd. (the "Company") is engaged in the exploration of its mineral property interests and has not determined whether its properties contain reserves that are economically recoverable. The business of exploring for resources involves a high degree of risk. Few properties that are explored ultimately are developed into producing mines. Major expenses may be required to establish ore reserves, develop metallurgical processes, and construct mining and processing facilities at a particular site. There is no assurance that the Company will be successful in its search.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going-concern basis. This presumes funds will be available to finance on-going development, operations and capital expenditures, and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The recovery of the amount recorded for mineral property interests is dependent upon the ability of the Company to locate economically recoverable reserves, obtain the financing necessary to complete exploration and development of the properties, future mineral prices, and upon future profitable production.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (Canadian GAAP) using the following significant accounting policies and are expressed in Canadian dollars.

a) Basis of presentation and principles of consolidation

The consolidated financial statements include the accounts of the Company and X-Cal U.S.A. Inc., its wholly-owned integrated subsidiary, and its 100% interest in New Sleeper Gold LLC.

b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include rates for amortization, accretion expense on reclamation and environmental obligations, impairment of mineral property interests, estimated balances of accounts payable and accrued liabilities, valuation allowance for future tax assets, and estimates used in the calculation of stock-based compensation expense. While management believes the estimates are reasonable, actual results could differ from those estimates.

c) Revenue recognition

Interest income is accrued as earned on the term deposits at the stated rate over the term to maturity. The Company recognizes income on the sale of assets in accordance with sales agreements.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

2. Summary of Significant Accounting Policies (cont'd)

d) Translation of foreign currencies

Foreign currency transactions are translated by the temporal method whereby monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; non-monetary assets are translated at rates prevailing when acquired; and revenue and expenses are translated at average rates of exchange for the period. Translation gains and losses are included in the results of operations for the period.

e) Cash and term deposits

The Company considers cash to include cash and short-term investments readily convertible into cash.

f) Mineral property interests

Mineral property interests represent acquisition, holding and exploration costs, less amounts recovered, written off or written down to date. If production is attained, these costs will be amortized using the unit-of-production method based on estimated reserves. Costs related to properties that are abandoned or considered uneconomic in the foreseeable future are written off.

When properties are acquired by the Company under agreements requiring future acquisition payments to be made at the sole discretion of the Company, those future payments, whether in cash or shares, are recorded only when the Company has made or becomes obliged to make the payment or to issue the shares.

When properties are sold by the Company under agreements requiring future purchase payments to be made at the sole discretion of the purchaser, those future payments, whether in cash or shares, are recorded only when the purchaser has made or becomes obliged to make the payment or to issue the shares.

These properties are assessed for impairment by comparing the carrying value against the fair value. Fair value is based primarily on values of recent transactions involving sales of similar properties.

g) Reclamation and environmental costs

The Company is subject to the laws and regulations relating to environmental matters in jurisdictions in which it operates, including those relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its existing properties and properties in which it previously had an interest.

The Company recognizes the fair value of its reclamation and environmental obligations in the financial statements as a liability in the period in which the obligation is assumed on acquisition or is incurred in exploration of properties. The fair value of the liability is initially recorded at the discounted value of expected future cash outlays to satisfy the obligations, with a corresponding increase to mineral property interests. The liability is adjusted at the end of each period to reflect changes in the present value of the estimated future cash outlays underlying the obligation. The Company records that increase in the carrying amount of the obligation as accretion expense.

h) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. All property and equipment is amortized on the straight-line method over five years.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

2. Summary of Significant Accounting Policies (cont'd)

i) Capital stock issued for other than cash

Capital stock issued for other than cash is valued at the price at which the stock traded on the principal stock exchange on which the stock trades at the time the related agreement to issue stock is made or, if such issuance is at the option of the Company, at the time the Company determines to issue such stock.

j) Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees, and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards are granted, with a corresponding increase to contributed surplus under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

k) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assumed. The amount of future income tax asset is limited to the amount of the benefit that is more likely than not to be realized.

l) Income (loss) per share

Income (loss) per share is determined by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to determine the dilutive effect of stock options. This method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the average market price during the period. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

m) Financial instruments

(i) Fair value

The carrying values of cash and term deposits, receivables, and accounts payables and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments. The reclamation bond approximates its fair value as it earns interest at market rates.

(ii) Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term maturity of its monetary assets and liabilities.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

2. Summary of Significant Accounting Policies (cont'd)

m) Financial instruments (cont'd)

(iii) Foreign currency risk

The Company incurs expenditures in both Canadian and US dollars and obtains financing in Canadian dollars. Therefore, the Company is exposed to foreign currency risk. The Company does not use derivative instruments to mitigate that risk.

(iv) Derivatives

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral interests to which they relate are not sufficiently developed to reasonably determine value.

3. Change in Accounting Policies

Effective April 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. As permitted by the new standards, these have been adopted on a prospective basis with no restatement to prior period financial statements.

a) Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings. This standard requires the presentation of comprehensive income, and its components, in a separate financial statement that is displayed with the same prominence as other financial statements. Since the Company does not have any comprehensive income to report for the reporting period, no additional statement is reported in the financial statements.

b) Financial Instruments – Recognition and Measurement (Section 3855)

This standard sets out the criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial statements within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

Financial assets and liabilities are recognized when the Company becomes party to the contract creating the item. Any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to April 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are to be classified into one of the following five categories; held for trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

3. Change in Accounting Policies (cont'd)

b) Financial Instruments – Recognition and Measurement (Section 3855) (cont'd)

- i. Held to maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- ii. Available for sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- iii. Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period that they arise.
- iv. All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of the hedging relationship. All gains and losses are included in net earnings in the period they arise.

In accordance with this new standard, the Company has the following financial instruments:

i. Derivatives

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral interests to which they relate are not sufficiently developed to reasonably determine value.

c) Hedging (Section 3865)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not have any hedges.

4. Prepaid Insurance and Reclamation Bond – Commutation Account

In 2004, New Sleeper Gold LLC entered into an insurance-backed financial assurance program including a mine reclamation policy and a pollution legal liability policy for the Sleeper Gold Project. As part of the policy, New Sleeper Gold LLC paid an insurance premium and put funds in a commutation account used to reimburse reclamation costs and indemnity claims paid by New Sleeper Gold LLC.

The insurance policy covers reclamation costs in the event New Sleeper Gold LLC defaults on payment of its reclamation costs up to an aggregate of US \$25 million. The insurance premium is being amortized over ten years and the prepaid insurance balance at September 30, 2007 is \$1,824,098 (2006 - \$1,948,918). The commutation account earns interest at an annual effective rate equal to the one-year constant maturity treasury rate prevailing on the first day of each anniversary year. The balance in the commutation account at September 30, 2007 was \$3,672,177 (2006 - \$3,684,527).

5. Mineral Property Interests

| Nevada, USA: | <u>September 30, 2007</u> | <u>September 30, 2006</u> |
|----------------------|---------------------------|---------------------------|
| Sleeper Gold Project | \$ 26,697,740 | \$ 21,895,333 |
| Mill Claims | 2,462,194 | 2,442,148 |
| Reese River | 406,760 | 108,011 |
| Spring Valley | 20,242 | 14,172 |
| | <u>\$ 29,586,936</u> | <u>\$ 24,459,664</u> |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
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5. Mineral Property Interests (cont'd)

Sleeper Gold Project

From December 1993 to December 2003, the Company acquired rights to explore and develop the Sleeper Gold Project properties. Also, the Company had an option to purchase the 50% interest of a joint venture partner.

In January 2004, the Company purchased the interest of the former joint venture partner, Kinross Gold Corporation, and formed a new joint venture (New Sleeper Gold LLC) with New Sleeper Gold Corporation to finance exploration of the property. Certain terms of the new joint venture are set out below:

- New Sleeper Gold Corporation contributed US \$20,000,000 in cash to the joint venture.
- The Company contributed its interest in the Sleeper Gold Project to the joint venture.
- The US \$20,000,000 cash contribution by New Sleeper Gold Corporation was applied to:
 - i) US \$4,000,000 to exercise the option to purchase the Kinross Gold interest in the properties;
 - ii) US \$8,000,000 to fund a reclamation and pollution legal liability insurance policy and a reclamation reserve of which US \$5,300,000 was expended by March 31, 2004; the remaining US \$2,700,000 was released subsequently and made available for exploration and general operating purposes; and
 - iii) the balance of US \$8,000,000 for exploration and general operating purposes.

The Company acquired the remaining 50% interest in the New Sleeper Gold LLC joint venture on May 16, 2006 by a cash payment of \$5,000,000 and the issue of 10,000,000 shares of its common stock at a market value of \$0.32 per share, representing an aggregate of \$8,200,000 paid to New Sleeper Gold Corporation. The Company now owns 100% of New Sleeper Gold LLC.

In December 2006, the Company acquired title to previously leased mineral claims (part of the Sleeper Gold Project) for US \$750,000 (US \$150,000 on closing) plus 250,000 shares (50,000 on closing). Payment can be made as four equal payments over four years or accelerated at the Company's discretion. The mineral claims are lodged as security against future payments. At the date of this report, the remaining balance to complete this buyout is \$450,000 and 150,000 common shares of X-Cal.

Mill Claims

The Mill Creek Gold Property is owned 100% by the Company. The property, located in Lander County, Nevada, is an early stage (grass roots) gold project. A US \$1,600,000 exploration work program that included drilling, mapping, sampling and geophysics has been completed by the Company on the Mill Creek Gold Property.

The Company has completed an extensive permitting process for the Mill Creek (Goat Window) Property, which has resulted in approval of a Plan of Operations Permit.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
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(unaudited)

5. Mineral Property Interests (cont'd)

Reese River

The Company has entered into a formal agreement with Placer Dome to jointly explore three claim blocks, in the Reese River Pediment, totaling 3,000 acres located in Lander County, Nevada. Title of the claims has been transferred from Placer Dome to the Company. The Company has carried out a US \$200,000 drilling program developed by both parties. The Company's expenditures for the above work exceeds the minimum required, and within the time allotted under the agreement. Placer Dome's interest (now owned by Barrick Gold) has now reverted to a 2% net returns royalty.

Spring Valley

The Company has staked 38 claims totaling 760 acres located in the Spring Valley area, Pershing County, Nevada.

6. Property and Equipment

| September 30, 2007 | Cost | Accumulated Amortization | Net Book Value |
|------------------------|-------------------|-----------------------------|-------------------|
| Vehicles | \$ 109,697 | \$ 60,914 | \$ 48,783 |
| Office equipment | 114,080 | 86,632 | 27,448 |
| Leasehold improvements | 18,650 | 18,172 | 478 |
| | <u>\$ 242,427</u> | <u>\$ 165,718</u> | <u>\$ 76,709</u> |
| September 30, 2006 | Cost | Accumulated Amortization | Net Book Value |
| Vehicles | \$ 109,697 | \$ 48,175 | \$ 61,522 |
| Office equipment | 102,935 | 76,830 | 26,105 |
| Leasehold improvements | 18,650 | 17,498 | 1,152 |
| | <u>\$ 231,282</u> | <u>\$ 142,503</u> | <u>\$ 88,779</u> |

7. Reclamation and Environmental Obligations

Subject to the laws and regulations relating to environmental matters, the Company may be held liable for future site restoration costs.

As at September 30, 2007, the following information was assumed in measuring the reclamation and environmental obligation:

| | |
|--|--------------|
| Undiscounted amount required | \$ 4,676,739 |
| Expected timing of payments | 2008 – 2053 |
| Average credit-adjusted risk-free rate | 11.00% |
| Inflation factor | 2.0% |

The commutation account (Note 4), is used to reimburse reclamation costs and indemnity claims paid by the Company.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
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(unaudited)

7. Reclamation and Environmental Obligations (cont'd)

The following table presents the reconciliation of the liability for the asset retirement obligation.

| | | |
|----------------------------|----|----------------|
| | | <u>2007</u> |
| Balance, beginning of year | \$ | 882,860 |
| Accretion expense | | 54,702 |
| Payments made | | - |
| | \$ | <u>937,562</u> |

8. Capital Stock and Contributed Surplus

(a) Authorized:

Unlimited common shares without par value.

(b) Issued:

| | <u>Shares</u> | <u>Amount</u> | <u>Contributed Surplus</u> |
|--|--------------------|----------------------|--------------------------------|
| Balance, March 31, 2007 | 123,685,255 | \$ 47,234,247 | \$ 3,169,750 |
| Stock-based compensation – options granted | - | - | 142,014 |
| Issued for cash | 428,571 | 150,000 | - |
| Equipment acquisition | 1,000,000 | 350,000 | - |
| Property acquisition | 50,000 | 13,500 | - |
| Balance, June 30, 2007 | <u>125,163,826</u> | <u>\$ 47,747,747</u> | <u>\$ 3,311,764</u> |
| Balance, September 30, 2007 | <u>125,163,826</u> | <u>\$ 47,747,747</u> | <u>\$ 3,311,764</u> |

(c) Stock options

The Company has a 10% rolling stock option plan under which directors, officers and other key employees and consultants to the Company and its subsidiary may be granted options to purchase shares. The number of common shares subject to options granted under the plan is 5% of the issued capital at the date of the grant with respect to any one optionee, not to exceed 10% of the issued and outstanding common shares of the Company in aggregate. Options issued under the plan may be exercised during a period determined by the board of directors, which cannot exceed five years.

Summary of stock option activity for the 6 months ended:

| | <u>September 30, 2007</u> | | <u>September 30, 2006</u> | |
|----------------------------------|-----------------------------|--|-----------------------------|--|
| | <u>Number of Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Number of Shares</u> | <u>Weighted Average Exercise Price</u> |
| Outstanding, beginning of period | 8,960,000 | \$ 0.36 | 6,015,000 | \$ 0.45 |
| Granted | 750,000 | \$ 0.35 | 2,620,000 | \$ 0.35 |
| Expired/cancelled | (210,000) | \$ 0.34 | - | - |
| Outstanding, end of period | <u>9,500,000</u> | <u>\$ 0.36</u> | <u>8,635,000</u> | <u>\$ 0.42</u> |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
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(unaudited)

8. Capital Stock and Contributed Surplus (cont'd)

As at September 30, 2007, the Company had stock options outstanding and exercisable, enabling the holders to acquire shares as follows:

| <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-------------------------|-----------------------|--------------------|
| 215,000 | \$ 0.50 | December 13, 2007 |
| 200,000 | \$ 0.45 | April 1, 2008 |
| 175,000 | \$ 0.35 | December 1, 2008 |
| 1,325,000 | \$ 0.33 | February 16, 2009 |
| 875,000 | \$ 0.35 | May 31, 2009 |
| 20,000 | \$ 0.35 | July 28, 2009 |
| 640,000 | \$ 0.50 | December 13, 2009 |
| 150,000 | \$ 0.35 | March 23, 2010 |
| 750,000 | \$ 0.35 | June 12, 2010 |
| 1,100,000 | \$ 0.33 | February 16, 2011 |
| 1,800,000 | \$ 0.35 | May 31, 2011 |
| 2,250,000 | \$ 0.35 | March 23, 2012 |
| <u>9,500,000</u> | | |

(d) Warrants

Summary of share warrant activity:

| | <u>2007</u> | | <u>2006</u> | |
|----------------------------------|---------------|--|---------------|--|
| | <u>Number</u> | <u>Weighted Average Exercise Price</u> | <u>Number</u> | <u>Weighted Average Exercise Price</u> |
| Outstanding, beginning of period | Nil | - | Nil | - |
| Expired | - | - | - | - |
| Outstanding, end of period | <u>Nil</u> | | <u>Nil</u> | |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

8. Capital Stock and Contributed Surplus (cont'd)

(e) Stock-based compensation

The Company uses the Black-Scholes option pricing model to estimate the value of the options at each grant date using the following assumptions for the periods ended September 30, 2007 and 2006:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|-------------|-------------|
| Risk-free rate of return | 4.74% | 4.22% |
| Expected dividend yield | - | - |
| Expected stock price volatility | 79% | 81.05% |
| Expected option life in years | 3 | 4.3 |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

During the 6 months ended September 30, 2007, the compensation cost of stock options granted was \$142,014, all of which was expensed. Stock-based compensation was attributable to consultants.

During the 6 months ended September 30, 2006, the compensation cost of stock options granted was \$555,078, of which \$436,678 was expensed and \$118,400 was capitalized to mineral properties. Stock-based compensation was attributable to directors - \$385,787, employees and consultants - \$169,291.

9. Related Party Transactions

The Company paid legal fees and expenses of \$16,652 (2006 - \$19,643) to a law firm in which a director of the Company is a partner.

All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Segmented Information

The Company operates in one industry segment, the mineral resource industry, and in two geographical segments, Canada and the United States. All current exploration activities are conducted in Nevada, US. The net loss and assets identifiable with those geographic areas are as follows:

| | <u>2007</u> | <u>2006</u> |
|-------------------|----------------------|-----------------------|
| Net income (loss) | | |
| Canada | \$ 1,316,502 | \$ (1,178,433) |
| USA | (425,501) | (195,287) |
| | <u>\$ 891,001</u> | <u>\$ (1,373,720)</u> |
| Assets | | |
| Canada | \$ 750,604 | \$ 4,632,974 |
| USA | 35,465,573 | 30,356,101 |
| | <u>\$ 36,217,177</u> | <u>\$ 34,989,075</u> |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the period ended September 30, 2007
(unaudited)

11. Commitments

(a) Office leases

The Company leases office space in Vancouver and Nevada. The lease agreement for office space in Vancouver expires in July 2009 and requires the Company to pay \$25,632 annually as its share of base rent plus operating costs. The lease agreement for office space in Nevada expires in November 2008 and requires the Company to pay \$18,000 annually as its share of base rent.

(b) Management agreements

The Company has a five-year employment agreement dated September 1, 2004 whereby it will pay an administrative manager \$72,000 per annum. Currently, by mutual agreement between the parties, the employee is receiving \$36,000 per annum as payment in full for services provided. Should the Company terminate the agreement or should the Company have an effective change of control, it will be liable for payment of one year's salary at the full rate of \$72,000.

The Company has an employment contract with its President. Under the terms of that contract, remuneration is reviewable on October 1 of each year, when such remuneration may be increased but not decreased. The remuneration for the President is \$160,000 per annum. The contract provides that, in the event of termination by the Company, the President shall receive three times the annual amount of salary in the year of termination plus US \$150,000.

The Company entered into an employment contract with an officer of the Company effective April 1, 2007 whereby it will pay the officer \$66,000 per annum. Under the terms of that contract, remuneration is reviewable on April 1 of each year, when such remuneration may be increased, but not decreased. The contract provides that, in the event of termination by the Company, the officer shall receive two times the annual amount of salary in the year of termination.

12. Subsequent Events

X-Cal is in the process of updating the reclamation cost estimate for the Sleeper Project with the US Bureau of Land Management. This review is mandated every three years. Management feels that the surety bond currently in-place will likely address the revised cost estimate. The revised reclamation cost estimates are to be submitted for review in January 2008.

A private placement notice has been filed with the TSX. Subscriptions are in progress, but the outcome can not yet be determined by management.

There are no further materially reportable events.

X-Cal Resources Ltd.
Consolidated Schedules of Mineral Acquisition and Exploration Costs
For the six months ended September 30, 2007 and the year ended March 31, 2007

| | Six months ended September 30, 2007 | | | | | Year ended March 31, 2007 | | | | |
|---|-------------------------------------|-----------------------------------|-------------------|------------------|----------------------|----------------------------|-----------------------------------|-------------------|------------------|----------------------|
| | Sleeper Gold Project | Pipeline Area - Mill Claims | Reese River | Spring Valley | Total | Sleeper Gold Project | Pipeline Area - Mill Claims | Reese River | Spring Valley | Total |
| Mineral acquisitions and exploration expenditures, beginning of year | \$ 24,246,537 | \$ 2,448,315 | \$ 376,100 | \$ 14,481 | \$ 27,085,433 | \$ 17,717,872 | \$ 2,403,651 | \$ 37,227 | \$ - | \$ 20,158,750 |
| Acquisition and holding costs incurred | | | | | | | | | | |
| Property acquisitions | 171,225 | - | - | - | 171,225 | 8,384,920 | - | - | - | 8,384,920 |
| | \$ 171,225 | \$ - | \$ - | \$ - | \$ 171,225 | \$ 8,384,920 | \$ - | \$ - | \$ - | \$ 8,384,920 |
| Exploration Expenditures | | | | | | | | | | |
| Consulting | 84,259 | 163 | 387 | 163 | 84,972 | 449,418 | 23,144 | 7,813 | 125 | 480,500 |
| Geology, including consultant | 32,759 | - | - | - | 32,759 | 1,648 | - | 6,421 | - | 8,069 |
| Drilling & Assaying | 1,289,276 | - | - | - | 1,289,276 | 1,326,912 | - | 217,553 | - | 1,544,465 |
| Field expenses | 383,438 | 5,145 | 21,137 | 5,430 | 415,150 | 243,018 | 14,226 | 60,780 | 135 | 318,159 |
| Insurance | 45,724 | - | - | - | 45,724 | 91,852 | - | - | - | 91,852 |
| Licenses, fees & claim fees | 31,246 | 38 | 155 | 40 | 31,479 | 203,435 | 5,756 | 44,184 | 14,172 | 267,547 |
| Reclamation | 2,890 | - | - | - | 2,890 | 807 | - | - | - | 807 |
| Stock-based compensation | - | - | - | - | - | 132,474 | - | - | - | 132,474 |
| Office, wages, prof fees & travel expenses | 410,386 | 8,533 | 8,981 | 128 | 428,028 | 995,513 | 1,538 | 2,122 | 49 | 999,222 |
| | \$ 2,279,978 | \$ 13,879 | \$ 30,660 | \$ 5,761 | \$ 2,330,278 | \$ 3,445,077 | \$ 44,664 | \$ 338,873 | \$ 14,481 | \$ 3,843,095 |
| Option payments received | | | | | | | | | | |
| Mineral property interests written off - acquisition | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Mineral exploration expenditures and interests before other costs (recoveries) | \$ 26,697,740 | \$ 2,462,194 | \$ 406,760 | \$ 20,242 | \$ 29,586,936 | \$ 29,547,869 | \$ 2,448,315 | \$ 376,100 | \$ 14,481 | \$ 32,386,765 |
| Prepaid reclamation obligation insurance | - | - | - | - | - | (1,948,918) | - | - | - | (1,948,918) |
| Funds held by insurer for reclamation obligation | - | - | - | - | - | (3,684,527) | - | - | - | (3,684,527) |
| Deferred environmental cost | - | - | - | - | - | (41,881) | - | - | - | (41,881) |
| Acquisition/Joint Venture adjustment | - | - | - | - | - | 373,994 | - | - | - | 373,994 |
| Mineral interests, end of period | \$ 26,697,740 | \$ 2,462,194 | \$ 406,760 | \$ 20,242 | \$ 29,586,936 | \$ 24,246,537 | \$ 2,448,315 | \$ 376,100 | \$ 14,481 | \$ 27,085,433 |