
X-Cal Resources Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2007

P.O. Box 48479 Bentall Centre
Vancouver, BC V7X 1A0
Tel: (604) 662-8245
Fax: (604) 688-7740
email: invrel@x-cal.com
Website: www.x-cal.com

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
Tel: 604-662-8245
Fax: 604-688-7740
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. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Shawn Kennedy"

Shawn Kennedy
President

Vancouver, British Columbia
June 14, 2007

AUDITORS' REPORT

TO THE SHAREHOLDERS OF X-CAL RESOURCES LTD.

We have audited the consolidated balance sheets of X-Cal Resources Ltd. as at March 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
June 14, 2007

X-Cal Resources Ltd.
Consolidated Balance Sheets (Note 1)
March 31

	2007	2006
Assets		
Current		
Cash and term deposits	\$ 1,867,650	\$ 1,289,270
Receivables and prepayments	139,605	294,550
	<u>2,007,255</u>	<u>1,583,820</u>
Prepaid insurance (Notes 3 and 4)	1,948,918	-
Reclamation bond – commutation account (Notes 3 and 4)	3,684,527	-
Environmental bonds	39,869	40,212
Mineral property interests (Note 5)	27,085,433	20,158,750
Property and equipment (Note 6)	82,857	71,515
	<u>\$ 34,848,859</u>	<u>\$ 21,854,297</u>
Liabilities		
Current		
Accounts payables and accrued liabilities	\$ 446,928	\$ 190,707
Reclamation and environmental obligations (Note 7)	882,860	468,949
	<u>1,329,788</u>	<u>659,656</u>
Shareholders' Equity		
Capital stock (Note 8)	47,234,247	33,809,188
Subscriptions received in advance	-	168,000
Contributed surplus (Note 8)	3,169,750	1,965,060
Deficit	(16,884,926)	(14,747,607)
	<u>33,519,071</u>	<u>21,194,641</u>
	<u>\$ 34,848,859</u>	<u>\$ 21,854,297</u>
Commitments (Note 12)		
Subsequent Events (Note 13)		

(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
For the years ended March 31

	2007	2006
General and administrative expenses		
Accounting and audit	\$ 104,940	\$ 79,608
Amortization	24,082	29,565
Insurance	303,040	230,285
Investor relations	98,064	37,272
Legal	50,743	44,528
Office and other	51,286	47,070
Regulatory fees	74,432	41,663
Rent	36,187	49,699
Salaries, consultants' and directors' fees	258,870	344,041
Shareholder communications	92,779	78,133
Stock-based compensation (Note 8)	1,072,218	385,335
Telecommunications	31,688	21,742
Travel	127,156	80,027
	<u>2,325,485</u>	<u>1,468,968</u>
Loss before income (expenses)	<u>(2,325,485)</u>	<u>(1,468,968)</u>
Other income (expenses)		
Accretion expense	(98,562)	(62,051)
Foreign exchange gain (loss)	12,288	(119,192)
Gain on sale of property and equipment	23,717	-
Interest and other income	238,723	107,139
Sale of mineral property interest	12,000	12,000
	<u>188,166</u>	<u>(62,104)</u>
Net loss	(2,137,319)	(1,531,072)
Deficit, beginning of year	<u>(14,747,607)</u>	<u>(13,216,535)</u>
Deficit, end of year	\$ <u><u>(16,884,926)</u></u>	\$ <u><u>(14,747,607)</u></u>
Loss per share	\$ <u>0.02</u>	\$ <u>0.02</u>
Weighted average number of common shares outstanding	<u>116,632,601</u>	<u>76,135,255</u>

(See accompanying notes to the consolidated financial statements)

X-Cal Resources Ltd.
Consolidated Statements of Cash Flow
For the years ended March 31

	2007	2006
Cash derived from (applied to)		
Operating		
Net loss	\$ (2,137,319)	\$ (1,531,072)
Stock-based compensation	1,072,218	385,335
Amortization	24,082	29,565
Insurance amortization	249,621	-
Accretion expense	98,562	62,051
Gain on sale of property and equipment	(23,717)	-
Accrued interest - commutation account	(142,405)	-
Changes in non-cash working capital items:		
Receivables and prepayments, accounts payables and accrued liabilities	411,165	36,760
	<u>(447,793)</u>	<u>(1,017,361)</u>
Financing		
Shares issued for cash, net of issuance costs	10,043,559	-
Subscriptions received in advance	-	168,000
	<u>10,043,559</u>	<u>168,000</u>
Investing		
Mineral property acquisition	(5,171,420)	-
Mineral property expenditures	(3,945,977)	(2,162,709)
Purchase of property and equipment	(64,707)	(9,064)
Proceeds from sale of property and equipment	53,000	-
Commutation account	111,718	-
	<u>(9,017,386)</u>	<u>(2,171,773)</u>
Net increase (decrease) in cash	578,380	(3,021,134)
Cash and term deposits		
Beginning of year	1,289,270	4,310,404
End of year	<u>\$ 1,867,650</u>	<u>\$ 1,289,270</u>
Non-cash investing and financing activities		
Stock-based compensation capitalized in mineral property interests	\$ 132,472	\$ 104,700
Property acquisition	\$ 3,213,500	\$ -
Reclamation and environmental obligation capitalized in mineral property interest	\$ 807	\$ 468,949
Accounts payable related to mineral property interests	\$ 186,552	\$ 62,525
Accounts receivable related to mineral property interests	\$ 28,452	\$ 50,889

(See accompanying notes to consolidated financial statements)

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

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
Years Ended March 31, 2007 and 2006

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 year. Translation gains and losses are included in the results of operations for the year.

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
Years Ended March 31, 2007 and 2006

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 years 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) Loss per share

Loss per share is determined by dividing net 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 years 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
Years Ended March 31, 2007 and 2006

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.

3. Comparative Figures

Certain comparative figures have not been reclassified to conform to the financial statement presentation adopted for 2007 due to the acquisition of the remaining 50% interest in the New Sleeper Gold LLC joint venture during the year. The 2006 comparative figures include prepaid insurance of \$1,097,900 and a reclamation bond of \$1,651,981, which were capitalized to mineral property interests as the Company had a 50% interest in the project during that period. In 2007, prepaid insurance of \$1,948,918 and the reclamation bond of \$3,684,527 have been shown as separate items on the balance sheet as the Company now has a 100% interest in the project.

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 March 31, 2007 is \$1,948,918 (2006 - \$1,031,900). 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 March 31, 2007 was \$3,334,648 (2006 - \$1,651,981). Included in reclamation bond – commutation account is a reclamation bond held with the government in the amount of \$349,879.

5. Mineral Property Interests

Nevada, USA:	<u>2007</u>	<u>2006</u>
Sleeper Gold Project	\$ 24,246,537	\$ 17,717,872
Mill Claims	2,448,315	2,403,651
Reese River	376,100	37,227
Spring Valley	14,481	-
	<u>\$ 27,085,433</u>	<u>\$ 20,158,750</u>

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 venturer.

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

5. Mineral Property Interests (cont'd)

Sleeper Gold Project (cont'd)

In January 2004, the Company purchased the interest of the former joint venturer, 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.

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.

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 exceed the minimum required, and within the time allotted under the agreement. At the time of this report, Placer Dome did not make the election to go forward under the agreement, and therefore, has forfeited its right to acquire a 51% interest in the property. Placer Dome's interest has now reverted to a 2% net returns royalty.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
Years Ended March 31, 2007 and 2006

5. Mineral Property Interests (cont'd)

Spring Valley

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

6. Property and Equipment

March 31, 2007	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Vehicles	\$ 109,697	\$ 54,156	\$ 55,541
Office equipment	108,127	81,540	26,587
Leasehold improvements	<u>18,650</u>	<u>17,921</u>	<u>729</u>
	\$ <u>236,474</u>	\$ <u>153,617</u>	\$ <u>82,857</u>
March 31, 2006	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Vehicles	\$ 147,416	\$ 101,493	\$ 45,923
Office equipment	96,841	72,826	24,015
Leasehold improvements	<u>18,651</u>	<u>17,074</u>	<u>1,577</u>
	\$ <u>262,908</u>	\$ <u>191,393</u>	\$ <u>71,515</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. On May 16, 2006, the Company acquired the remaining 50% interest in the New Sleeper Gold LLC joint venture, a result of which is that it acquired 100% of the liability for the reclamation and environmental obligation.

As at March 31, 2007 and 2006, the following information was assumed in measuring the reclamation and environmental obligation:

	<u>2007</u>	<u>2006</u>
Undiscounted amount required	\$ 4,676,739	\$ 2,807,089
Expected timing of payments	2008 – 2053	2007 – 2053
Average credit-adjusted risk-free rate	11.00%	11.15%
Inflation factor	2.0%	2.0%

The commutation account (Note 4), amounting to \$3,684,527 as at March 31, 2007, is used to reimburse reclamation costs and indemnity claims paid by the Company.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
Years Ended March 31, 2007 and 2006

7. Reclamation and Environmental Obligations (cont'd)

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

	<u>2007</u>		<u>2006</u>
Balance, beginning of year	\$ 468,949	\$	557,990
Acquisition of remaining 50% interest in New Sleeper Gold LLC	468,949		-
Change in estimated future cash flows	(63,979)		-
Accretion expense	98,562		62,051
Changes in credit-adjusted risk-free rate	22,097		(43,522)
Payments made	(111,718)		(107,570)
	<u>\$ 882,860</u>	\$	<u>468,949</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, 2005	76,135,255	\$	33,809,188	\$	1,475,025
Stock-based compensation – options granted	<u>-</u>		<u>-</u>		<u>490,035</u>
Balance, March 31, 2006	76,135,255		33,809,188		1,965,060
Stock-based compensation – options granted	-		-		1,204,690
Issued for cash	37,500,000		10,640,000		-
Property acquisition	10,000,000		3,200,000		-
Property acquisition	50,000		13,500		-
Share issuance costs	-		(428,441)		-
Balance, March 31, 2007	<u>123,685,255</u>	\$	<u>47,234,247</u>	\$	<u>3,169,750</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.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
Years Ended March 31, 2007 and 2006

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

Summary of stock option activity:

	2007		2006	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	6,015,000	\$ 0.45	5,155,000	\$ 0.64
Granted	5,195,000	\$ 0.35	2,700,000	\$ 0.33
Expired	<u>(2,250,000)</u>	\$ 0.58	<u>(1,840,000)</u>	\$ 0.80
Outstanding, end of year	<u>8,960,000</u>	\$ 0.36	<u>6,015,000</u>	\$ 0.45

As at March 31, 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>
225,000	\$ 0.50	December 13, 2007
200,000	\$ 0.45	April 1, 2008
175,000	\$ 0.35	December 1, 2008
1,500,000	\$ 0.33	February 16, 2009
900,000	\$ 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
1,200,000	\$ 0.33	February 16, 2011
1,700,000	\$ 0.35	May 31, 2011
<u>2,250,000</u>	\$ 0.35	March 23, 2012
<u>8,960,000</u>		

(d) Warrants

Summary of share warrant activity:

	2007		2006	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	Nil	-	3,250,000	\$ 0.72
Expired	-	-	<u>(3,250,000)</u>	\$ 0.72
Outstanding, end of year	<u>Nil</u>		<u>Nil</u>	

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
Years Ended March 31, 2007 and 2006

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 years ended March 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Risk-free rate of return	3.83% - 4.22%	3.97%
Expected dividend yield	-	-
Expected stock price volatility	71% - 94%	79.83%
Expected option life in years	2 - 5	3.89

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 year ended March 31, 2007, the compensation cost of stock options granted was \$1,204,690, of which \$1,072,218 was expensed and \$132,472 was capitalized to mineral properties. Stock-based compensation was attributable to directors - \$917,903, employees and consultants - \$286,787.

During the year ended March 31, 2006, the compensation cost of stock options granted was \$490,035, of which \$385,335 was expensed and \$104,700 was capitalized to mineral properties. Stock-based compensation was attributable to directors - \$254,280, employees and consultants - \$235,755.

9. Related Party Transactions

The Company paid legal fees and expenses of \$34,193 (2006 - \$46,202) to a law firm in which a director of the Company is a partner. The Company paid an aggregate of \$59,000 (2006 - \$34,690) in consulting fees and expenses to a director and officer of the Company. The Company also paid \$30,000 (2006 - \$30,000) in directors' fees. A \$150,000 (2006 - \$0) bonus was paid to the President of the Company.

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. Income Taxes

The components of the Company's future income tax assets are as follows:

	<u>2007</u>	<u>2006</u>
Mineral properties	\$ 124,000	\$ (417,000)
Share issue costs	117,000	12,000
Excess of accounting basis over tax basis of SR&ED expenditure and property and equipment	87,000	79,000
Non-capital losses carried forward	1,813,000	1,580,000
US net operating losses carried forward	<u>219,000</u>	<u>459,000</u>
Total future income tax assets	2,360,000	1,713,000
Valuation allowance	<u>(2,360,000)</u>	<u>(1,713,000)</u>
Net book value	<u>\$ -</u>	<u>\$ -</u>

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
Years Ended March 31, 2007 and 2006

10. Income Taxes (cont'd)

The Company has non-capital losses of \$5,303,000 available to reduce future taxable income, which under Canadian income tax laws expire as follows:

2008	\$ 408,000
2009	433,000
2010	947,000
2014	996,000
2015	815,000
2026	659,000
2027	1,045,000
	<u>\$5,303,000</u>

The Company also has reported net operating losses in the US of \$2,707,000 that are available to reduce taxable income in future years. These losses will expire from 2011 to 2026.

The reconciliation of income tax provision computed at the statutory rates of 34.12% (2006 – 34.12%) to the reported income tax provision is as follows:

	<u>2007</u>	<u>2006</u>
Income tax recovery based on the statutory rate	\$ 729,000	\$ 522,000
Stock-based compensation	(366,000)	(131,000)
Share issue costs	40,000	12,000
Differences between amortization and capital cost allowance	(8,000)	(10,000)
Non-deductible expense	(800)	(100)
Unrecognized tax losses	(394,200)	(392,900)
Income tax for the year	<u>\$ -</u>	<u>\$ -</u>

11. 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 loss		
Canada	\$ (1,878,122)	\$ (1,032,424)
USA	(259,197)	(498,648)
	<u>\$ (2,137,319)</u>	<u>\$ (1,531,072)</u>
Assets		
Canada	\$ 1,750,910	\$ 1,337,263
USA	33,097,949	20,517,034
	<u>\$ 34,848,859</u>	<u>\$ 21,854,297</u>

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
Years Ended March 31, 2007 and 2006

12. 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 was increased during the year to \$160,000 per annum from \$120,000 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.

13. Subsequent Events

- (a)** The Company and Omineca Gold Ltd. reached an agreement for Omineca to deliver a new core drill and related equipment to the Sleeper Gold Property, located in Nevada and also make a private placement into the Company in return for common shares at \$0.35 per share.

The estimated value of the drill and related equipment is \$350,000. Omineca's private placement into the Company was \$150,000. The total transaction was valued at \$500,000 in return for 1,428,571 common shares of the Company. A principal of Omineca is also a Company insider.

- (b)** The Company has entered into a letter purchase agreement with Ken Snyder for the sale of a 1% net smelter production royalty on the Sleeper Gold Property to Dr. Snyder's Gold Syndicate for US \$1,500,000. The transaction is subject to regulatory approval.

- (c)** 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.

X-Cal Resources Ltd.
Consolidated Schedules of Mineral Acquisition and Exploration Costs
Years Ended March 31, 2007 and 2006

	2007					2006			
	Sleeper Gold Project	Pipeline Area - Mill Claims	Reese River	Spring Valley	Total	Sleeper Gold Project	Pipeline Area - Mill Claims	Reese River	Total
Mineral acquisitions and exploration expenditures, beginning of year	\$ 17,717,872	\$ 2,403,651	\$ 37,227	\$ -	\$ 20,158,750	\$ 22,647,442	\$ 2,217,401	\$ -	\$ 24,864,843
Acquisition and holding costs incurred									
Property acquisitions	8,384,920	-	-	-	8,384,920	50,000	-	-	50,000
Exploration expenditures									
Consulting	449,418	23,144	7,813	125	480,500	124,919	11,966	847	137,732
Geology, including consultant	1,648	-	6,421	-	8,069	691,842	-	-	691,842
Drilling and assaying	1,326,912	-	217,553	-	1,544,465	351,234	7,131	-	358,365
Field	243,018	14,226	60,780	135	318,159	389,243	63,051	124	452,418
Insurance	91,852	-	-	-	91,852	8,750	5,250	-	14,000
Geophysics and geochemistry	-	-	-	-	-	115,157	43,415	-	158,572
Licenses, fees and claim fees	203,435	5,756	44,184	14,172	267,547	-	5,940	23,532	29,472
Reclamation	807	-	-	-	807	(43,522)	-	-	(43,522)
Stock-based compensation	132,474	-	-	-	132,474	68,055	26,175	10,470	104,700
Office, wages, professional fees and travel	995,513	1,538	2,122	49	999,222	166,682	84,897	2,254	253,833
	3,445,077	44,664	338,873	14,481	3,843,095	1,872,360	247,825	37,227	2,157,412
Option payments received									
Mineral property interests written off - acquisition	-	-	-	-	-	-	(61,575)	-	(61,575)
Mineral exploration expenditures and interests before other costs (recoveries)	29,547,869	2,448,315	376,100	14,481	32,386,765	24,569,802	2,403,651	37,227	27,010,680
Prepaid reclamation obligation insurance	(1,948,918)	-	-	-	(1,948,918)	1,097,900	-	-	1,097,900
Funds held by insurer for reclamation obligation	(3,684,527)	-	-	-	(3,684,527)	1,651,981	-	-	1,651,981
Deferred environmental cost	(41,881)	-	-	-	(41,881)	657,389	-	-	657,389
Acquisition/Joint Venture adjustment	373,994	-	-	-	373,994	(10,259,200)	-	-	(10,259,200)
Mineral interests, end 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