
X-Cal Resources Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2008 and 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

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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 Canadian generally accepted accounting principles 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.

These 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 17, 2008

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, 2008 and 2007 and the consolidated statements of operations, cash flows and shareholders' equity 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, 2008 and 2007 and the results of its operations, its cash flows and changes in shareholders' equity for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
June 6, 2008, except as to note 14
which is as of June 17, 2008.

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

| | 2008 | 2007 |
|--|----------------------|----------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 148,686 | \$ 1,867,650 |
| Receivables and prepayments | 267,995 | 139,605 |
| | <u>416,681</u> | <u>2,007,255</u> |
| Prepaid insurance (Note 4) | 1,699,278 | 1,948,918 |
| Reclamation bond - commutation account (Note 4) | 3,235,288 | 3,684,527 |
| Environmental bonds | 36,598 | 39,869 |
| Mineral property interests (Note 5) | 30,575,414 | 27,085,433 |
| Property and equipment (Note 6) | 66,594 | 82,857 |
| | <u>\$ 36,029,853</u> | <u>\$ 34,848,859</u> |
| Liabilities | | |
| Current | | |
| Accounts payables and accrued liabilities | \$ 391,424 | \$ 446,928 |
| Reclamation and environmental obligations (Note 7) | 744,222 | 882,860 |
| | <u>1,135,646</u> | <u>1,329,788</u> |
| Shareholders' Equity | | |
| Capital stock (Note 8) | 48,109,247 | 47,234,247 |
| Subscriptions received in advance | 165,000 | - |
| Contributed surplus | 3,462,701 | 3,169,750 |
| Deficit | (16,842,741) | (16,884,926) |
| | <u>34,894,207</u> | <u>33,519,071</u> |
| | <u>\$ 36,029,853</u> | <u>\$ 34,848,859</u> |
| Commitments (Note 12) | | |
| Subsequent Events (Note 14) | | |

(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
For the years ended March 31

| | 2008 | 2007 |
|--|--------------------|-----------------------|
| General and administrative expenses | | |
| Accounting and audit | \$ 76,425 | \$ 104,940 |
| Amortization | 24,279 | 24,082 |
| Equipment commissioning and testing | 50,000 | - |
| Insurance | 292,487 | 303,040 |
| Investor relations | 59,117 | 98,064 |
| Legal | 62,229 | 50,743 |
| Office and other | 32,555 | 51,286 |
| Regulatory fees | 43,244 | 74,432 |
| Rent | 42,220 | 36,187 |
| Salaries, consultants' and directors' fees | 123,066 | 258,870 |
| Shareholder communications | 83,024 | 92,779 |
| Stock-based compensation (Note 8(d)) | 244,224 | 1,072,218 |
| Telecommunications | 1,415 | 31,688 |
| Travel | 99,416 | 127,156 |
| | <u>1,233,701</u> | <u>2,325,485</u> |
| Loss before other items | <u>(1,233,701)</u> | <u>(2,325,485)</u> |
| Other | | |
| Accretion expense | (97,950) | (98,562) |
| Foreign exchange gain (loss) (Note 13) | (398,640) | 12,288 |
| Gain on sale of property and equipment | - | 23,717 |
| Interest income | 156,736 | 238,723 |
| Sale of mineral property interest | 24,000 | 12,000 |
| Gain on sale of net smelter royalty | 1,591,740 | - |
| | <u>1,275,886</u> | <u>188,166</u> |
| Net income (loss) and comprehensive income (loss) | <u>\$ 42,185</u> | <u>\$ (2,137,319)</u> |
| Basic income (loss) per share | <u>\$ 0.00</u> | <u>\$ (0.02)</u> |
| Diluted income (loss) per share | <u>\$ 0.00</u> | <u>\$ (0.02)</u> |
| Weighted average number of common shares outstanding | <u>125,511,379</u> | <u>116,632,601</u> |

(See accompanying notes to the consolidated financial statements)

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

| | 2008 | 2007 |
|---|--------------------|---------------------|
| Cash derived from (applied to) | | |
| Operating | | |
| Net income (loss) | \$ 42,185 | \$ (2,137,319) |
| Stock-based compensation | 244,224 | 1,072,218 |
| Amortization - equipment | 24,279 | 24,082 |
| Insurance premium | 249,640 | 249,621 |
| Accretion expense | 97,950 | 98,562 |
| Unrealized foreign exchange loss (gain) (Note 13) | 360,737 | (4,276) |
| Gain on sale of property and equipment | - | (23,717) |
| Gain on sale of net smelter production royalty | (1,591,740) | - |
| Accrued interest - commutation account | (132,730) | (142,405) |
| Changes in non-cash working capital | | |
| Receivables and prepayments, | | |
| accounts payable and accrued liabilities | 3,656 | 416,084 |
| | <u>(701,799)</u> | <u>(447,150)</u> |
| Financing | | |
| Shares issued for cash, net of issuance costs and subscriptions received in advance | 676,500 | 10,043,559 |
| Investing | | |
| Sale of net smelter production royalty | 1,591,740 | - |
| Mineral property acquisition | (157,725) | (5,171,420) |
| Mineral property expenditures | (3,247,990) | (3,834,259) |
| Purchase of property and equipment | (8,016) | (64,707) |
| Proceeds on sale of property and equipment | 138,481 | 53,000 |
| | <u>(1,683,510)</u> | <u>(9,017,386)</u> |
| Foreign exchange loss on cash held in foreign currency | (10,155) | (643) |
| Net increase (decrease) in cash | (1,718,964) | 578,380 |
| Cash and cash equivalents | | |
| Beginning of year | 1,867,650 | 1,289,270 |
| End of year | \$ <u>148,686</u> | \$ <u>1,867,650</u> |
| Cash | \$ 148,686 | \$ 555,943 |
| Term deposit | - | 1,311,707 |
| Cash and cash equivalents, end of year | \$ <u>148,686</u> | \$ <u>1,867,650</u> |
| Non-cash investing and financing activities | | |
| Stock-based compensation capitalized in mineral property interests | \$ 48,727 | \$ 132,472 |
| Property and equipment acquisition for shares | \$ 363,500 | \$ 3,213,500 |
| Reclamation and environmental obligation capitalized in mineral property interest | \$ - | \$ 807 |
| Accounts payable/receivable related to mineral property interests | \$ 180,139 | \$ 158,100 |

(See accompanying notes to consolidated financial statements)

X-Cal Resources Ltd.
Consolidated Statements of Shareholders' Equity
For the years ended March 31

| | Number of Shares | Capital Stock | Subscriptions Received in Advance | Contributed Surplus | Accumulated Deficit | Total |
|--|---------------------|------------------|---|------------------------|------------------------|---------------|
| Balance: March 31, 2006 | 76,135,255 | \$ 33,809,188 | \$ 168,000 | \$ 1,965,060 | \$ (14,747,607) | \$ 21,194,641 |
| Issuance of shares for cash - private placement | 37,500,000 | 10,640,000 | (168,000) | - | - | 10,472,000 |
| Shares issuance costs | | (428,441) | - | - | - | (428,441) |
| Property acquisition | 10,050,000 | 3,213,500 | - | - | - | 3,213,500 |
| Stock-based compensation | - | - | - | 1,204,690 | - | 1,204,690 |
| Net loss for the year | - | - | - | - | (2,137,319) | (2,137,319) |
| Balance: March 31, 2007 | 123,685,255 | 47,234,247 | - | 3,169,750 | (16,884,926) | 33,519,071 |
| Issuance of shares for cash - private placement | 3,028,568 | 540,000 | 165,000 | - | - | 705,000 |
| Shares issuance costs | - | (28,500) | - | - | - | (28,500) |
| Equipment acquisition (Note 9) | 1,000,000 | 350,000 | - | - | - | 350,000 |
| Property acquisition | 50,000 | 13,500 | - | - | - | 13,500 |
| Stock-based compensation | - | - | - | 292,951 | - | 292,951 |
| Net income for the year | - | - | - | - | 42,185 | 42,185 |
| Balance: March 31, 2008 | 127,763,823 | \$ 48,109,247 | \$ 165,000 | \$ 3,462,701 | \$ (16,842,741) | \$ 34,894,207 |

(See accompanying notes to consolidated financial statements)

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

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 GAAP 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 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 and Sleeper Mining Company, LLC. Certain of the comparative figures are reclassified to conform to the current year's presentation.

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, balances of accounts payable and accrued liabilities, reclamation and environmental obligation, valuation allowance for future tax assets, and 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 years ended March 31, 2008 and 2007

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 revenues and expenses are translated at the exchange rate in effect on the dates they occur. Translation gains and losses are included in the results of operations for the year.

e) Cash and cash equivalents

In accordance with GAAP, the Company classifies highly liquid short-term investments that are readily convertible into known amounts of cash and have maturities of 90 days or less from the date of acquisition as cash equivalents.

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.

All deferred mineral property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, mineral expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

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

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 year 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 year 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.

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 year 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.

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

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

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 year. 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 year. No exercise or conversion is assumed during the years in which a net loss is incurred as the effect is anti-dilutive.

m) 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. The adoption of these new accounting policies had no impact on the Company's opening equity.

i) Comprehensive Income

Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses, which GAAP requires to be recognized in a period but excluded from net income for that period.

ii) Financial Instruments – Recognition and Measurement

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. There were no changes to the fair values of assets and liabilities prior to April 1, 2007 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:

- 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 year net income or loss.
- 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 income or loss in the year they arise.

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

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

n) Future Accounting Changes

The CICA has issued the following new Handbook sections that will become effective on April 1, 2008 for the Company:

- Section 3862, "Financial Instruments - Disclosures"
- Section 3863, "Financial Instruments - Presentation"
- Section 1535, "Capital Disclosures"
- Section 1400, "Going-Concern".

CICA Handbook Section 3862 modifies the disclosure requirements for Section 3861, "Financial Instruments - Disclosure and Presentation", including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance, and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks.

Section 3863 carries forward the presentation requirements of Section 3861. The Company is currently evaluating the impact of the adoption of these new sections.

CICA Handbook Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and procedures for managing capital and disclose whether it has complied with any capital requirements to which it is subject and the consequences of non-compliance. The Company is currently evaluating the impact of adoption of this new section.

CICA Handbook Section 1400 requires management to make an assessment of a company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

These new accounting pronouncements currently have no impact on the consolidated financial statements of the Company.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

3. Financial instruments

a) Fair value

The Company's financial instruments include cash and term deposits, receivables, reclamation bond – commutation account, environmental bonds, and accounts payable and accrued liabilities. Cash and term deposits are designated as held-for-trading; receivables are designated as loans and receivables; reclamation bond – commutation account and environmental bonds are classified as held-to-maturity; and accounts payable and accrued liabilities are classified as other financial liabilities.

Prior to the adoption of Section 3855, the carrying values of cash and term deposits, receivables, and accounts payables and accrued liabilities approximated their fair values because of the short-term maturity of these financial instruments. The reclamation bond approximated its fair value as it earned interest at market rates.

b) 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.

c) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and term deposits and receivables. The Company's cash and term deposits are held at major Canadian and US financial institutions. The Company maintains provisions for potential credit losses for its receivables, and any losses to date have been within management's expectations.

d) 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.

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, 2008 is \$1,699,278 (2007 - \$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 March 31, 2008 is \$2,927,338 (2007 - \$3,334,648). Included in reclamation bond – commutation account is a reclamation bond held with the government in the amount of \$307,950 (2007 - \$349,879).

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

5. Mineral Property Interests

| Nevada, USA: | <u>2008</u> | <u>2007</u> |
|----------------------|----------------------|----------------------|
| Sleeper Gold Project | \$ 27,664,303 | \$ 24,246,537 |
| Mill Claims | 2,472,301 | 2,448,315 |
| Reese River | 418,568 | 376,100 |
| Spring Valley | 20,242 | 14,481 |
| | <u>\$ 30,575,414</u> | <u>\$ 27,085,433</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 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) 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\$300,000 paid to date) plus 250,000 shares (100,000 issued to date).

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. As at March 31, 2008, the remaining balance to complete this buyout is US\$450,000 (2007 – US\$600,000) and 150,000 (2007 – 200,000) common shares of the Company.

The Company has completed the sale of a 1% net smelter production royalty on the Sleeper Gold Property to the Ken Snyder Gold Syndicate for \$1,591,740 (US\$1,500,000).

X-Cal Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2008 and 2007

5. Mineral Property Interests (cont'd)

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 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

On December 12, 2005, the Company entered into a formal agreement with Placer Dome U.S. Inc. ("Placer Dome") a subsidiary of Barrick Gold U.S. Inc. ("Barrick Gold"), 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 smelter returns royalty.

Spring Valley

The Company has staked 38 claims totaling 760 acres located in the Spring Valley area, Pershing County, Nevada. The Company granted a 1% net smelter production royalty on this property to a consultant to the Company.

Title to Mineral Properties

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Realization of Assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal rights, and the attainment of successful production from the properties or from the proceeds of their disposition.

Mineral exploration and development is highly speculative and involves inherent risks. While rewards if a feasible ore body is discovered might be substantial few properties that are explored are ultimately development into producing mines. There can be no assurance that the current exploration programs by the Company will result in the discovery of economically viable quantities of ore.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

6. Property and Equipment

| March 31, 2008 | Cost | Accumulated Amortization | Net Book Value |
|------------------------|-------------------|--------------------------|------------------|
| Vehicles | \$ 109,697 | \$ 67,673 | \$ 42,024 |
| Office equipment | 116,143 | 91,802 | 24,341 |
| Leasehold improvements | 18,650 | 18,421 | 229 |
| | <u>\$ 244,490</u> | <u>\$ 177,896</u> | <u>\$ 66,594</u> |
| March 31, 2007 | Cost | Accumulated Amortization | Net Book Value |
| Vehicles | \$ 109,697 | \$ 54,156 | \$ 55,541 |
| Office equipment | 108,127 | 81,540 | 26,587 |
| Leasehold improvements | 18,650 | 17,921 | 729 |
| | <u>\$ 236,474</u> | <u>\$ 153,617</u> | <u>\$ 82,857</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 March 31, 2008 and 2007, the following information was assumed in measuring the reclamation and environmental obligation:

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| Undiscounted amount required (US\$4,056,500) | \$ 4,163,997 | \$ 4,676,739 |
| Expected timing of payments | 2009 - 2053 | 2008 - 2053 |
| Average credit-adjusted risk-free rate | 11.00% | 11.00% |
| Inflation factor | 2.0% | 2.0% |

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

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

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 882,860 | \$ 468,949 |
| Acquisition of remaining 50% interest in New Sleeper Gold LLC | - | 468,949 |
| Changes in credit-adjusted risk-free rate | - | 22,097 |
| Accretion expense | 97,950 | 98,562 |
| Payments made | (138,053) | (111,718) |
| Change in estimated cash flows | - | (63,979) |
| Foreign exchange adjustment | (98,535) | - |
| | <u>\$ 744,222</u> | <u>\$ 882,860</u> |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

8. Capital Stock and Contributed Surplus

a) **Authorized**
 Unlimited common shares without par value.

b) **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.

| | Number of <u>Shares</u> | 2008 Weighted Average <u>Exercise Price</u> | Number of <u>Shares</u> | 2007 Weighted Average <u>Exercise Price</u> |
|--------------------------------|----------------------------|--|----------------------------|--|
| Outstanding, beginning of year | 8,960,000 | \$ 0.36 | 6,015,000 | \$ 0.45 |
| Granted | 1,825,000 | \$ 0.26 | 5,195,000 | \$ 0.35 |
| Expired | (215,000) | \$ 0.50 | (2,250,000) | \$ 0.58 |
| Forfeited | (460,000) | \$ 0.33 | - | - |
| Outstanding, end of year | <u>10,110,000</u> | \$ 0.34 | <u>8,960,000</u> | \$ 0.36 |

The options granted during the year have an immediate vesting term. As at March 31, 2008, the Company had stock options outstanding and exercisable, enabling the holders to acquire common shares as follows:

| <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-------------------------|-----------------------|--------------------|
| 200,000 | \$ 0.45 | April 1, 2008 |
| 75,000 | \$ 0.35 | December 1, 2008 |
| 1,325,000 | \$ 0.33 | February 16, 2009 |
| 775,000 | \$ 0.35 | May 31, 2009 |
| 20,000 | \$ 0.35 | July 28, 2009 |
| 640,000 | \$ 0.50 | December 13, 2009 |
| 390,000 | \$ 0.20 | January 17, 2010 |
| 20,000 | \$ 0.20 | February 28, 2010 |
| 150,000 | \$ 0.35 | March 23, 2010 |
| 750,000 | \$ 0.35 | June 12, 2010 |
| 615,000 | \$ 0.20 | September 24, 2010 |
| 1,200,000 | \$ 0.33 | February 16, 2011 |
| 1,700,000 | \$ 0.35 | May 31, 2011 |
| 2,250,000 | \$ 0.35 | March 23, 2012 |
| <u>10,110,000</u> | | |

The weighted average remaining contractual life of stock options as at March 31, 2008 is 2.50 years (2007 – 3.42 years).

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

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

c) Warrants

As at March 31, 2008 and 2007, the Company had no outstanding share warrants.

d) 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 weighted average assumptions for the years ended March 31, 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|---------------------------------|-------------|-------------|
| Risk-free rate of return | 4.45% | 4.10% |
| Expected dividend yield | - | - |
| Expected stock price volatility | 163.62% | 86.70% |
| Expected option life in years | 2.78 | 4.49 |

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, 2008, the compensation cost of stock options granted was \$292,951 (\$0.16 per share), \$244,224 of which was expensed and \$48,727 was capitalized to mineral properties. Stock-based compensation attributable to employees and consultants was - \$223,108, and to directors - \$69,843.

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 attributable to directors was - \$917,903, and to employees and consultants - \$286,787.

e) Earnings per share

Basic earnings per share is computed using the weighted average number of common shares outstanding. The dilutive effect of potential common shares outstanding is included in diluted income per share. The computations of basic income (loss) per share and diluted income (loss) per share for 2008 and 2007 are as follows:

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------|----------------|
| Net income (loss) from operations | \$ 42,185 | \$ (2,137,319) |
| Basic weighted average shares | 125,511,379 | 116,632,601 |
| Effect of dilutive securities | | |
| Stock options | 55,894 | - |
| Dilutive potential common shares | 125,567,273 | 116,632,601 |
| Income (loss) per share | | |
| Basic | \$ 0.00 | \$ (0.02) |
| Diluted | \$ 0.00 | \$ (0.02) |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

9. Related Party Transactions

The Company paid legal fees and expenses of \$23,130 (2007 - \$34,193) to a law firm in which a director of the Company is a partner, of which \$7,236 (2007 - \$8,335) is included in accounts payable. The Company paid an aggregate of \$66,000 (2007 - \$59,000) in consulting fees to a director and officer of the Company, of which \$11,550 (2007 - \$nil) is included in accounts payable. The Company paid salaries of \$160,000 (2007 - \$160,000) to a director and officer of the Company and \$36,000 (2007 - \$23,833) to a party related to a director and officer of the Company. During the year ended March 31, 2007, a \$150,000 bonus was paid to a director and officer of the Company. As at March 31, 2008, \$10,934 (2007 - \$10,487) was due from a director and officer of the Company with respect to travel advances, and is included in receivables and prepayments.

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.

The Company issued 1,000,000 common shares for equipment to a company with a common director and officer. The common shares were valued at \$350,000 (\$0.35 per share), which was the resale value of the equipment.

10. Income Tax

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

| | <u>2008</u> | <u>2007</u> |
|--|-------------|-------------|
| Mineral properties tax value in excess of book value | \$ (95,000) | \$ 124,000 |
| Share issue costs | 78,000 | 117,000 |
| Excess of accounting basis over tax basis of SR&ED expenditures and property and equipment | 49,000 | 87,000 |
| Non-capital losses carried forward | 1,598,000 | 1,813,000 |
| US net operating losses carried forward | 1,369,000 | 219,000 |
| | <hr/> | <hr/> |
| Total net future income tax asset | 2,999,000 | 2,360,000 |
| Valuation allowance | (2,999,000) | (2,360,000) |
| | <hr/> | <hr/> |
| Net book value | \$ - | \$ - |

The net future tax asset resulting from these items has not been recognized in these accounts, as realization is not considered more likely than not. A valuation allowance has been applied against the entire net future income tax asset.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

10. Income Tax (cont'd)

The Company has non-capital losses of \$5,699,000 available to reduce future taxable income, which under Canadian income tax laws expire as follows:

| | | |
|------|----|-----------|
| 2009 | \$ | 433,000 |
| 2010 | | 947,000 |
| 2014 | | 996,000 |
| 2015 | | 815,000 |
| 2026 | | 659,000 |
| 2027 | | 1,069,000 |
| 2028 | | 780,000 |
| | \$ | 5,699,000 |

The Company also has reported net operating losses in the US of US\$4,734,000 that are available to reduce taxable income in the future years. These losses will expire from 2011 to 2027.

The reconciliation of income tax provision computed at the statutory rates of 28% (2007 – 34.12%) to the reported income tax provision is as follows:

| | <u>2008</u> | <u>2007</u> |
|---|-------------|-------------|
| Income tax recovery (expense) based on statutory rate | \$ (14,000) | \$ 729,000 |
| Stock-based compensation | (83,000) | (366,000) |
| Share issue costs | 32,000 | 40,000 |
| Differences between amortization and capital cost allowance | (8,000) | (8,000) |
| Non-deductible expense | (2,000) | (800) |
| Difference due to rate change | 13,000 | - |
| Recognized (unrecognized) tax losses | 62,000 | (394,200) |
| | \$ <u>-</u> | \$ <u>-</u> |

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

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 within those geographic areas are as follows:

| | <u>2008</u> | <u>2007</u> |
|-------------------|----------------------|-----------------------|
| Net income (loss) | | |
| Canada | \$ 482,622 | \$ (1,878,122) |
| USA | (440,437) | (259,197) |
| | <u>\$ 42,185</u> | <u>\$ (2,137,319)</u> |
| Assets | | |
| Canada | \$ 485,438 | \$ 1,750,910 |
| USA | 35,544,415 | 33,097,949 |
| | <u>\$ 36,029,853</u> | <u>\$ 34,848,859</u> |

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 Vancouver lease will not be renewed and has been sublet for the balance of the term. The Company is negotiating more cost-effective British Columbia premises. The lease agreement for office space in Nevada expires in November 2008 and will be renewed. The Nevada office lease 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 currently \$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.

X-Cal Resources Ltd.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2008 and 2007

13. Foreign Exchange Gain (Loss)

The foreign exchange loss in 2008 was largely due to fact the Reclamation Bond – Commutation Account (Note 4) is carried in US dollars and the March 31, 2008 US dollar exchange rate dropped drastically compared to the March 31, 2007 rate. A breakdown of this figure is as follows:

| | <u>2008</u> | | <u>2007</u> |
|--|---------------------|----|------------------|
| Reclamation bond - commutation account | \$ (443,916) | \$ | 4,814 |
| Environmental bond | (453) | | (342) |
| Reclamation and environmental obligation | 98,535 | | - |
| Cash and term deposit | (10,155) | | (643) |
| Accounts payable | (4,748) | | 447 |
| Unrealized foreign exchange gain (loss) | (360,737) | | 4,276 |
| Realized foreign exchange gain (loss) | (37,903) | | 8,012 |
| Foreign exchange gain (loss) | <u>\$ (398,640)</u> | | <u>\$ 12,288</u> |

14. Subsequent Events

Private placement

The Company completed a private placement of 1,100,000 of its common shares to fund ongoing mineral exploration on the Company's properties. A director of the Company purchased 500,000 shares of this private placement.

The Company completed a private placement of 8,062,500 units, each unit consisting of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.10 per share for a period of one year. Directors of the Company purchased 1,750,000 units of this private placement.

The Company issued the following shares subsequent to the year-end:

| <u>Date</u> | <u>Type</u> | <u>No. of shares</u> | <u>Issue Price Per Share</u> | <u>Gross Proceeds to Company</u> |
|---------------|-------------------|----------------------|----------------------------------|--|
| April 4, 2008 | Private Placement | 1,100,000 | \$ 0.15 | \$ 165,000 |
| June 11, 2008 | Private Placement | 8,062,500 | \$ 0.08 | \$ 645,000 |

Mineral property interests claim fees

All Annual Government Fees for the Company's Nevada Mineral Claims: Sleeper, Mill Creek, Reese River and WR/Spring Valley have been paid to September 1, 2009.

X-Cal Resources Ltd.
Consolidated Schedules of Mineral Acquisition and Exploration Costs
For the years ended March 31

| | Year ended March 31, 2008 | | | | | 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 property interests, 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 |
| Exploration expenditures | | | | | | | | | | |
| Consulting | 116,811 | 163 | 800 | 163 | 117,937 | 449,418 | 23,144 | 7,813 | 125 | 480,500 |
| Geology, including consultant | 137,307 | - | - | - | 137,307 | 1,648 | - | 6,421 | - | 8,069 |
| Drilling and assaying | 1,632,015 | - | - | - | 1,632,015 | 1,326,912 | - | 217,553 | - | 1,544,465 |
| Field | 184,152 | 5,145 | 21,137 | 5,430 | 215,864 | 243,018 | 14,226 | 60,780 | 135 | 318,159 |
| Insurance | 71,927 | - | - | - | 71,927 | 91,852 | - | - | - | 91,852 |
| Licenses, fees and claim fees | 197,129 | 38 | 155 | 40 | 197,362 | 203,435 | 5,756 | 44,184 | 14,172 | 267,547 |
| Reclamation | 9,525 | - | - | - | 9,525 | 807 | - | - | - | 807 |
| Stock-based compensation | 47,378 | 674 | 674 | - | 48,726 | 132,474 | - | - | - | 132,474 |
| Office, wages, prof fees and travel | 850,297 | 17,966 | 19,702 | 128 | 888,093 | 995,513 | 1,538 | 2,122 | 49 | 999,222 |
| | 3,246,541 | 23,986 | 42,468 | 5,761 | 3,318,756 | 3,445,077 | 44,664 | 338,873 | 14,481 | 3,843,095 |
| Mineral property interests before other costs | 27,664,303 | 2,472,301 | 418,568 | 20,242 | 30,575,414 | 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 property interests, end of year | \$ 27,664,303 | \$ 2,472,301 | \$ 418,568 | \$ 20,242 | \$ 30,575,414 | \$ 24,246,537 | \$ 2,448,315 | \$ 376,100 | \$ 14,481 | \$ 27,085,433 |