

Directors' Report

To the Shareholders:

Your Directors are pleased to submit the Annual Report for your Company for the year ended March 31, 1987.

Your Company has had an active year with over \$800,000, expended on exploration which has significantly enhanced our mineral claim holdings.

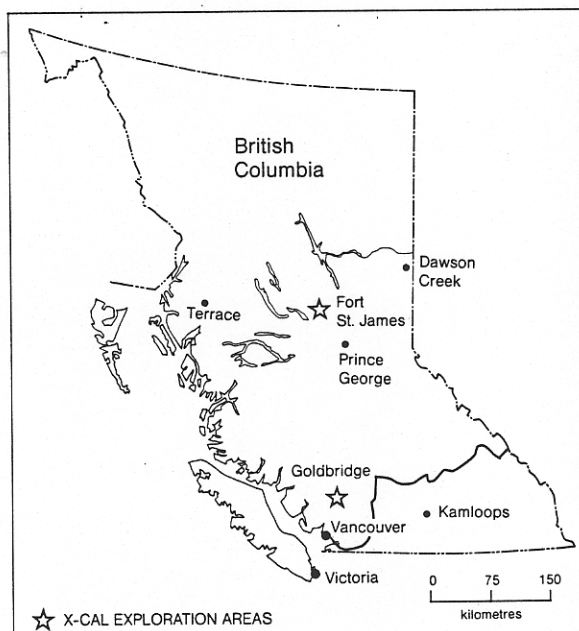
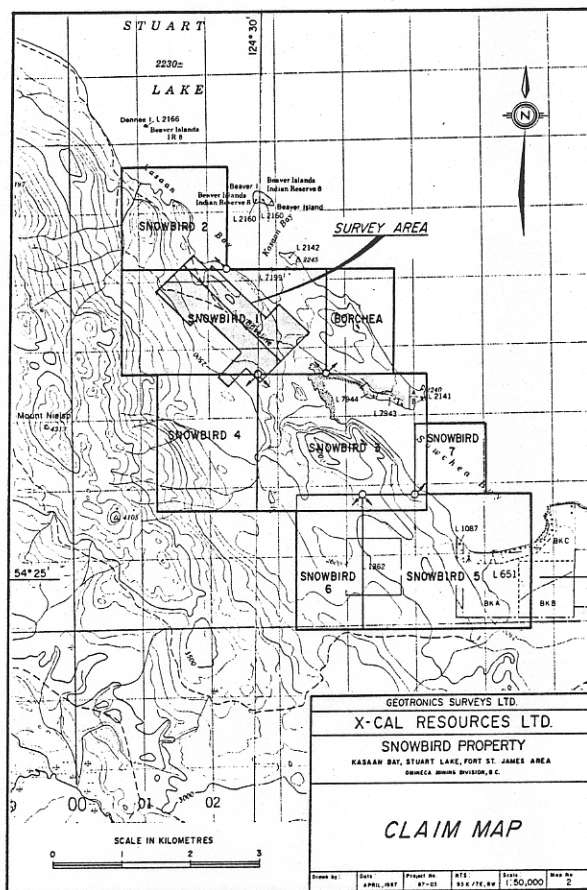
The Snowbird Project in British Columbia is our focus of attention while exploration also continues at Bralorne, B.C. and through our joint venture project in Ontario.

Our exploration lands in British Columbia total approximately 45,000 acres:

Snowbird Project — Omineca Mining Division, Central B.C.

We have carried out sufficient work on this project during 1986-87 to earn a 100% interest in the Snowbird Property from Pipawa Resources Ltd., subject to a 3% net smelter return payable to Pipawa. Title is expected to transfer from escrow to X-Cal during this current year. We have expended approximately \$500,000 to date on this project and anticipate expenditures of \$500,000 to \$1,000,000 over the current exploration season.

Drilling during 1986-87 showed strong continuity of the mineralized zone and returned gold values which include numerous ore grade intersections as well as sub-ore grade intersections, indicating that this deposit may have



to be evaluated by an underground exploration program. One very high grade showing of visible gold (248 oz. per ton over 1/2 ft.) has indicated the potential for high grade shoots. Other intersections such as 13.9 ft. of .27 oz. per ton gold with a 10 ft. core of .3 oz per ton gold also confirm the mining potential we see in this project. A detailed geophysical program (see accompanying map) has indicated considerable exploration targets in the immediate vicinity of the outcrop area.

We believe in the mine-making potential of this project, as evidenced by diamond drilling to date and the excellent development logistics afforded by the moderate terrain at Snowbird and its close proximity to the town of Ft. St. James, B.C.

We are planning an overburden drilling program to test the new geophysical anomalies which we have located. This program will be followed by additional diamond drilling.

Bridge River — Bralorne Area

Historically the most prolific gold camp in the Province, the Bralorne and Pioneer Gold