

Directors' Report

To the Shareholders:

Your directors are pleased to submit the Annual Report for your company for the year ended March 31, 1989.

X-Cal Resources Ltd. is concentrating on the development of the Snowbird Gold Deposit at Fort St. James, British Columbia. The property has continued to show potential to become a medium to large size gold mine.

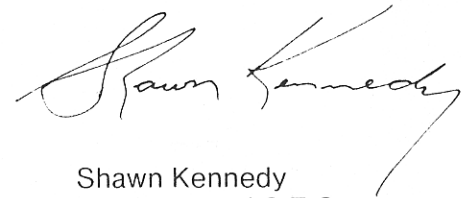
This year has seen the Snowbird Gold Deposit added to the B.C. government list of potential producers in the province. Recognition of the potential of the Snowbird property to become a significant gold producer has also come from institutional investors who have participated in several private placements of X-Cal shares.

The company is also the major landholder in the Bralorne Gold Camp of British Columbia.

In Ontario, we are continuing to participate in a joint venture exploration project in the Kapuskasing mining district.

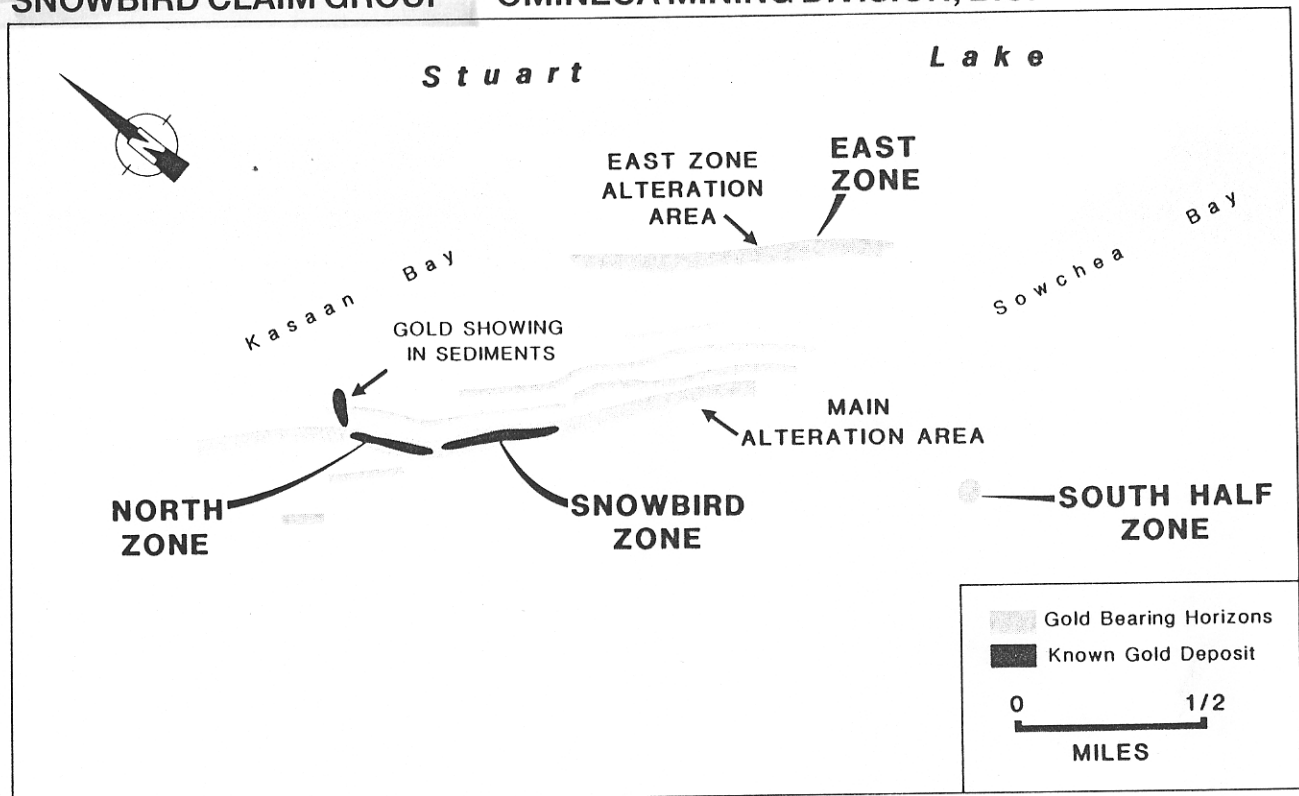
We can look back over this past year as one of achievement, particularly at Snowbird, and ahead to the future with well-founded optimism.

On behalf of the Board,



Shawn Kennedy
President and C.E.O.

SNOWBIRD CLAIM GROUP – OMINECA MINING DIVISION, B.C.



Property Holdings

SNOWBIRD GOLD DEPOSIT Omineca Mining Division Fort St. James, British Columbia

The Snowbird Gold Deposit adjoins the town of Fort St. James, British Columbia. Paved roads, industrial electrical power, labour and other prerequisites for low cost development, are already in place. The terrain is moderate to flat with an elevation of approximately 2,000 feet above sea level. Roads onto the property have been upgraded by X-Cal for development-phase work.

The gold deposit is located in a structure called the "Sowchea Shear Zone", which parallels and is related to the large regional scale "Pinchi Fault".

The known deposit is located within the "Snowbird" and "North Zone". Both of these zones are open along strike and at depth. Drilling in this area will be aimed at increasing reserves and addressing the possibility of parallel zones. Also of some considerable interest is the newly discovered "East Zone" which has given indication that it could contribute to the overall picture, given continued success from our work. Trenching is in progress to be followed by drilling.

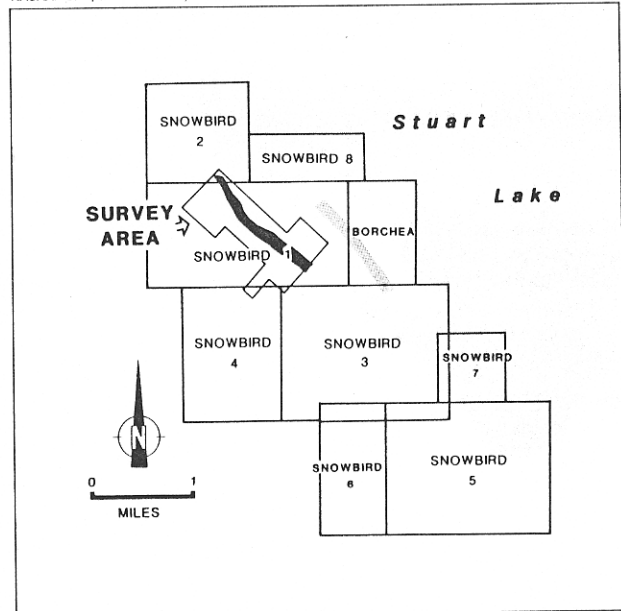
North Zone

Current possible reserves of 250,000 tons of .20 oz per ton gold are estimated from a section of the North Zone, which has returned the following assays to date.

Drill Hole Intersections North Zone, Snowbird Property Fort St. James, B.C.				
Hole #	Depth		Interval (ft.)	Au (oz/ton)
	from (ft.)	to (ft.)		
X 88-6	272.49	281.18	8.69	0.226
	309.00	318.85	9.85	0.109
X 88-9	272.65	275.93	3.28	0.298
X 88-13	333.35	337.12	3.77	0.110
	356.15	376.23	20.08	0.319
X 88-14	281.12	291.29	10.17	0.0897
X 89-2	192.56	195.84	3.28	0.114
	212.15	217.99	5.84	0.351
X 89-3	325.51	335.58	10.07	0.264
X 89-4	263.96	271.50	7.54	0.189
X 89-9B	362.55	365.17	2.62	0.128
	496.71	504.58	7.87	0.124
X 89-10	514.30	520.99	6.69	0.152
	527.94	537.43	9.49	0.204
X 89-11	506.52	521.58	15.06	0.136

SNOWBIRD PROPERTY – CLAIM MAP

KASAAN BAY, STUART LAKE, FORT ST. JAMES AREA – OMINECA MINING DIVISION, B.C.



Snowbird Zone

Bulk sampling of the Snowbird Zone will have to be carried out in order to gain an estimate of true grade from this section. The following are some of the better values obtained from drilling.

Significant Snowbird Zone Drill Hole Assays		
Hole	Width (ft.)	Grade (oz/ton)
86-2	13.9	0.27
86-6	5.0	23.0
86-7	3.28	0.715
C-1	5.0	0.27
C-2	5.0	0.35
P-6	3.0	0.698
P-7	8.0	0.58

The drilling from the North and Snowbird zones is still largely confined to an area which begins at surface and has been partially tested to approximately 300 feet of depth. All indications are that we are only at the top of a system which may have considerable depth.

East Zone

Current work to define the extent of the large mineralizing system on our claims has resulted in the discovery of a whole new area called the "East Zone". This new zone has returned very encouraging gold values over a wide area. At the time of this report extensive surface trenching is in progress, in preparation for drilling there.

South Half

Yet another area referred to as the "South Half" has also returned encouraging gold values from percussion drill holes. This section of the property is in early exploration phase and will be better evaluated as part of the current work.

In summary the Snowbird Gold Deposit has continued to respond well to drilling and step-out exploration. While reserves are presently modest, the large structural setting and extensive gold mineralization on the property indicates a potential for a medium to large-size gold mine with excellent development logistics.

BRIDGE RIVER, BRALORNE AREA Lillooet Mining Division British Columbia

Historically, this area has been the most prolific gold camp in British Columbia. The Bralorne/Pioneer Gold Mines yielded over 4,000,000 ounces of gold averaging over .52 oz per ton.

We are maintaining our extensive landholdings in this camp as we believe there will be new mines found in this area. One of our key claim blocks has been recently optioned to a major company. Our other holdings are central and integral to exploration and development of the area.

Anderson Lake Project

Teck Corporation has optioned the Anderson Lake claim block which covers a five mile length of the "Cadwallader Gold Belt", host to the prolific Bralorne/Pioneer Gold Mines.

Teck can earn 60% of the Anderson Lake Project area by making exploration expenditures and payments to X-Cal totalling \$1.7 million over the next five years or less. The Teck crew is at work on the project now. Results will be reported on a timely basis.

Tyax Property

The Tyax property has surface showings of gold mineralization of up to 20 feet wide of .1 oz per ton gold and 10 feet wide of .4 oz per ton gold in a large structural setting. It is adjoined by the "Congress Gold Deposit" to the south and appears to be integrated with other new gold discoveries which have taken place in that section of the Bralorne Gold Camp.

Current information has indicated new drill targets on this property which will be subject to future exploration by the company or by joint-venture.

