

Corporate Profile

Claimstaker Resources Ltd. is focused on exploration and development of superior gold properties in Canada, USA and Mexico with immediate high-grade production capability and low potential for adverse environmental impact. Since the company's inception in 1990, it has evaluated a number of prospective precious metal prospects and has engaged in geological, geochemical and geophysical exploration and diamond drilling programs. In 1994 the Company changed focus towards the acquisition of properties with early production capability and enhanced profit potential. That year Claimstaker acquired the Blackdome Gold Mine near Clinton, British Columbia, a former producing mine that the company put into production in the fall of 1998. In 1997, Claimstaker secured its second major project, the Zenda Mine, in Kern County California, a gold and silver open pit, heap leach property with an identified orebody of 1.6 million tons of ore at a recovered grade of 0.041 ounces of gold per ton that it set for production in 1999. Claimstaker was also able to acquire in 1997 an advanced exploration property, the Golden Trend, in the highly productive Battle Mountain-Eureka gold trend in Central Nevada. Most recently, in April 1999, the company is acquiring its first property in Mexico.

Claimstaker maintains its head office in Vancouver, Canada. Its directors and executive officers have extensive experience in exploration, development and mining finance. Their technical background is particularly strong in discovering, developing and managing small, high-grade gold deposits. Claimstaker Resources Ltd. is a Senior Board company listed on the Vancouver Stock Exchange.

Highlights

- August 17, 1998
Jipangu Inc. of Tokyo agreed to increase its involvement in Claimstaker by purchasing a 50% interest the Golden Trend Property in Nevada.
- October 10, 1998
The Blackdome Gold Mine began producing and shipping gold concentrate on a regular basis.
- December 1, 1998
Jipangu exercised its option to purchase an additional 15% interest in the Blackdome Gold Mine, The mine is now a 50-50 joint venture.
- April, 1999
Drilling programs commenced at Blackdome and Golden Trend.
- April, 1999
Claimstaker signed a Letter of Intent to acquire a 50% interest in the Los Hilos gold-silver property in Mexico.

Property Profile

Blackdome Gold Mine, BC

Under an option agreement signed April 27, 1998, Claimstaker and Jipangu Inc. of Japan are engaged in a joint venture mining operation at the Blackdome Gold Mine near Clinton, British Columbia. Up to December 23, 1998, Jipangu has contributed \$3 million to acquire a 50% interest in the mine. In October, 1998, Blackdome began producing and regularly shipping gold-silver concentrate. In April, 1999, an exploration drilling program commenced to explore the No. 11 Vein both above and below the 1870 meter level where a new ore shoot has been discovered.

Golden Trend Property, Nevada

In 1998, Claimstaker Resources Ltd. completed the purchase of 100% interest (subject to a 3% NSR) in the Golden Trend claims, which the company considers an important exploration target in the prolific Battle Mountain/Cortez Trend of Nevada, USA. In April, 1999, a reverse-circulation drilling program was initiated to test three anomalies on our property that were discovered during preliminary geological, geochemical and geophysical exploration.

Zenda mine, California

The Zenda Gold Mine, which has identified an orebody of 1.6 million tons of ore at a recovered grade of 0.042 ounces of gold per ton, including 920,000 tons at 0.057 ounces of gold per ton, is expected to come on stream in 1999 at an expected final production rate of approximately two thousand ounces of gold per month. Again, Claimstaker is pleased to have arranged financing with Jipangu, who entered into an agreement with Claimstaker Resources to provide a \$4.2 million gold loan/debenture in July, 1998. These funds will be used to bring Zenda into full production.

Los Hilos Project, Mexico

In April, 1999, Claimstaker entered into a preliminary option agreement with Golden Goliath Resources Ltd. to acquire a 50% interest in a property in the Chihuahua State, Mexico. Under the agreement, Claimstaker may elect to acquire an additional 10% interest. The earn-in period for Claimstaker will be four years or less, during which time Claimstaker will be operator of the project. The property consists of five mineral claims with a total surface area of approximately 335 hectares. Previous gold mining activity on this property adds to its exploration potential for Claimstaker. Claimstaker will undertake technical and legal due diligence in May, 1999.

Schedule C: Management Discussion

President's Report

Summary

After several years of planning, exploration and development, Claimstaker's flagship property, the Blackdome Gold Mine began producing in October 1998. Since start-up, production has been gradually increased, and the underground mine is now shipping gold-silver concentrate on a regular basis. In 1998, a lift required to expand capacity of the Blackdome tailings impoundment was designed, and construction overseen, by geotechnical experts Knight Piésold Ltd. In the spring of 1999, an exploration development and drilling program will be undertaken at the Giant, No. 2, and Redbird veins, to increase reserves and extend the life of the mine.

Following on the success at Blackdome, The Zenda Mine in California is slated to come on stream sometime in 1999. Under financing arrangements with Jipangu Inc. of Tokyo, the Zenda open-pit gold mine is expected to increase the company's production by approximately 2,000 ounces of gold per month.

Additionally, exploration is actively underway at Claimstaker's Golden Trend Property in Nevada, with drilling on three geological/geochemical/geophysical anomalies. With the news of recent gold discoveries in Nevada, investors have exhibited renewed interest in the area. The Golden Trend property is well placed to capture some of this investor interest, being situated on the Battle Mountain – Eureka Gold Trend with Placer Dome and Agnico-Eagle as its immediate neighbours.

Claimstaker also has a new acquisition, the Los Hilos property in Chihuahua, Mexico. This gold-silver property gives the company a presence in an exciting new area with high exploration potential.

Management Changes

In December, 1998, Mr. Tamisuke Matsufuji, President of Jipangu Inc. Claimstaker's joint-venture partners at Blackdome, Golden Trend and Zenda, was appointed Chairman of Claimstaker's board of directors. A Tokyo financier, businessman and financial writer and advisor, Mr. Matsufuji believes in developing small to medium-sized gold deposits, an objective that exactly fits the goal that Claimstaker has been pursuing since its inception in 1990. President Richard Somerville and Vice President Ford Cannon will continue to manage day-to-day company operations.

Financing

Under an Agreement signed a year ago in April, 1998, Jipangu Inc. acquired a 35% interest in the Blackdome Gold Mine. Under its terms, \$1.7 million has been spent on the Blackdome gold/silver property near Clinton, B.C. Under this agreement, six payments have been made by Jipangu, all of which were completed as scheduled; consequently, Jipangu acquired its 35% interest as of July 2, 1998. In addition, Jipangu exercised its option to purchase an additional 15% interest in the mine on payment of \$1,000,000 on December 23, 1998. This brings Jipangu's interest in the mine to 50%, and Claimstaker remains the operator. As part and parcel of the transaction, Jipangu and related investors purchased by way of a private placement, one million units of Claimstaker at a price of \$0.25 per unit, each unit consisting of one common share and one non-transferable warrant to raise \$250,000. One warrant entitles the holder to purchase an additional share of Claimstaker for 18 months at a price of \$0.50 per share. The common shares and any shares issued on the exercise of the share purchase warrants will be subject to a hold period of 12 months.

On July 13, 1998, Claimstaker and Jipangu signed a Letter of Intent for a \$4.2 million gold loan/debenture to be applied towards bringing the Zenda Mine into production, and a \$750,000 private placement of units. This gold loan/debenture received regulatory approval on December 16, 1998. Claimstaker anticipates that the final debenture/gold loan agreement will close shortly. The private placement closed separately on December 15, 1998.

Investor Relations

During the quarter Claimstaker's investor relations manager was in daily contact by phone and mail with interested shareholders. He maintains contact with the company's shareholders and the investment community and keeps the company web site up to date. Claimstaker had a successful booth at a Vancouver gold investment conference last fall, and plans to exhibit at two such gold shows in the next fiscal year to introduce Claimstaker to new potential investors. Also last fall, the company produced its first corporate video, in both English and Japanese language versions, for distribution to interested shareholders and brokers.

Future Plans

Blackdome Gold Mine, BC

In British Columbia, Claimstaker is proud to buck the trend in an otherwise moribund industry. Emerging hallmarks of the company, sound planning and strong teamwork, enabled the opening of the Blackdome Gold Mine and with it the creation of approximately 75 highly paid new jobs. Active exploration and development is underway to increase ore reserves and extend the life of the mine.

Zenda Gold Mine, California

Under an agreement with Jipangu Inc., financing for the project will be provided in 1999. Start-up date has not yet been decided. Once in full production, Zenda is expected to produce approximately 2,000 ounces of gold per month.

Golden Trend Project, Nevada

Encouraging preliminary results from the 1998 exploration program defined three targets for further exploration. A reverse-circulation drilling program commenced in April 1999.

Los Hilos Project, Mexico

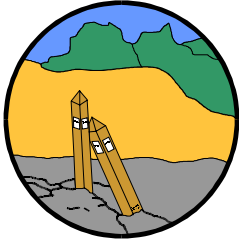
This new exploration project is strategically placed to expand the company's exploration interests. Claimstaker has selected a well-mineralized gold/silver property with a past history of mining activity. Claimstaker's technical and legal due diligence review will be conducted in May, 1999. Assuming that the review is favourable, Claimstaker will undertake a detailed geological-geochemical program at Los Hilos prior to the rainy season.

The past eight months since the company's previous annual report have been an exciting period in which the Blackdome Gold Mine achieved commercial production, Claimstaker initiated exploration programs at Golden Trend and Blackdome, and the company extended its interests into Mexico, where Claimstaker has acquired a gold/silver prospect. We look forward to a dynamic year.

April 15, 1999 "Richard Somerville, P.Eng."
President and Chief Executive Officer

Claimstaker Resources Ltd.

Consolidated Financial Statements
December 31, 1998



Claimstaker Resources Ltd.

Suite 1440 -1166 Alberni Street
Vancouver B.C. Canada V6E 3Z3
Telephone: (604) 684-6677 Fax: (604) 684-6678
Investor Relations - Telephone: 1-888-236-5200
Internet Site: <http://www.claimstakerresources.com>

April 12, 1999

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the company have been prepared by management in accordance with accounting principles generally accepted in Canada, and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the company's independent accountants to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The company's independent accountants, PricewaterhouseCoopers, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards, and their report follows.

Richard D. Somerville
President and C.E.O.

April 12, 1999

Auditors' Report

**To the Shareholders of
Claimstaker Resources Ltd.**

We have audited the consolidated balance sheet of **Claimstaker Resources Ltd.** as at December 31, 1998 and the consolidated statements of earnings and deficit and changes in financial position for the period 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 audit.

We conducted our audit in accordance with 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 December 31, 1998 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis, after giving effect to the adjustments noted in the following paragraph.

The consolidated financial statements as at April 30, 1998 and for the year then ended, prior to restatement of the convertible debenture and interest payable as described in note 9(a), were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 13, 1998. We have examined the adjustments that were applied to restate the April 30, 1998 financial statements and, in our opinion, such adjustments are appropriate and have been properly applied.

PricewaterhouseCoopers LLP

**Chartered Accountants
Vancouver, B.C.**

Claimstaker Resources Ltd.

Consolidated Balance Sheet

As at December 31, 1998

	December 31, 1998 \$	April 30, 1998 \$ (as restated, note 9(a))
Assets		
Current assets		
Cash and short-term investments	302,967	57,650
Restricted cash (note 6(c))	199,710	–
Accounts receivable	429,858	51,310
Inventories (note 3)	74,753	–
Prepaid expenses	42,774	17,130
Due from Jipangu (note 5(b))	882,453	–
	<u>1,932,515</u>	<u>126,090</u>
Mine property, plant and equipment (note 5)	3,794,961	2,783,998
Exploration and development properties (note 6)	1,751,958	1,575,636
Deposits (note 4)	148,679	153,155
Other capital assets (note 7)	74,945	70,553
	<u>7,703,058</u>	<u>4,709,432</u>
Liabilities		
Current liabilities		
Exploration obligation (note 6(c))	199,710	–
Accounts payable and accrued liabilities	542,154	142,988
Current portion of capital lease obligations (note 8)	89,960	–
	<u>831,824</u>	<u>142,988</u>
Capital lease obligations (note 8)	289,421	–
	<u>1,121,245</u>	<u>142,988</u>
Shareholders' Equity		
Capital stock (note 11)	7,983,460	6,084,540
Convertible debenture and interest payable (note 9)	593,835	613,093
Share subscriptions received (note 11(b)(i))	–	22,550
Deficit	(1,995,482)	(2,153,739)
	<u>6,581,813</u>	<u>4,566,444</u>
	<u>7,703,058</u>	<u>4,709,432</u>

Nature of operations (note 1)

Approved by the Board of Directors

Richard D. Somerville

Director

Tamisuke Matsufuji

Director

Claimstaker Resources Ltd.

Consolidated Statement of Earnings and Deficit
For the eight months ended December 31, 1998

	Eight months ended December 31, 1998 \$	Year ended April 30, 1998 \$ (as restated, note 9(a))
Revenue		
Management fees (note 5(b))	144,757	–
Rental and administration fees	2,250	37,296
Option income	–	50,000
Interest income	30,022	10,359
	<u>177,029</u>	<u>97,655</u>
Administration costs		
Depreciation	23,016	29,906
Government, transfer agent and stock exchange fees	9,139	14,332
Interest and bank charges	3,080	2,641
Office	54,846	28,887
Professional fees	52,949	80,671
Project development	2,560	2,327
Rent	17,322	45,055
Shareholder communications and promotion	102,717	69,199
Travel and automobile	29,749	40,555
Wages and employee benefits	185,271	208,537
	<u>480,649</u>	<u>522,110</u>
	<u>(303,620)</u>	<u>(424,455)</u>
Other costs		
Commission on gold loan	–	(138,982)
Foreign exchange gain	30,506	7,141
Loss on disposal of capital assets	(2,268)	(5,913)
Gain on establishment of corporate joint venture (note 5(b))	456,781	–
	<u>485,019</u>	<u>(137,754)</u>
Earnings (loss) for the period	181,399	(562,209)
Deficit – Beginning of period	(2,153,739)	(1,556,610)
Interest on convertible debenture	(23,142)	(34,920)
Deficit – End of period	<u>(1,995,482)</u>	<u>(2,153,739)</u>
Earnings (loss) per common share	0.011	(0.043)
Weighted average number of common shares outstanding	<u>16,360,390</u>	<u>13,213,533</u>

Claimstaker Resources Ltd.

Consolidated Statement of Changes in Financial Position For the eight months ended December 31, 1998

	Eight months ended December 31, 1998 \$	Year ended April 30, 1998 \$ (as restated, note 9(a))
Cash provided from (used for)		
Operating activities		
Earnings (loss) for the period	181,399	(562,209)
Items not affecting cash		
Loss on disposal of capital assets	2,268	–
Depreciation	23,016	29,906
Gain on establishment of corporate joint venture	(456,781)	–
	(250,098)	(532,303)
Change in non-cash working capital items	(79,779)	36,622
	(329,877)	(495,681)
Financing activities		
Shares issued for cash	1,406,520	238,906
Shares issued for investment (note 5(a))	450,000	–
Shares issued for convertible debenture and accrued interest	42,400	–
Share subscriptions received	(22,550)	22,550
Shares issued for mineral claims	–	93,750
Conversion of debenture and interest paid in shares	(42,400)	–
	1,833,970	355,206
Investing activities		
Mine property, plant and equipment	(1,804,182)	(164,068)
Due from Jipangu	(882,453)	–
Exploration and development properties	(176,322)	(614,666)
Proceeds from sale of exploration and development properties	–	99,919
Purchase of deposits	4,476	–
Other capital assets	(68,856)	(45,909)
Proceeds from sale of other capital assets	39,180	–
Capital lease obligations – net	379,381	(3,468)
Proceeds from establishment of corporate joint venture	1,250,000	–
	(1,258,776)	(728,192)
Increase (decrease) in cash and short-term investments	245,317	(868,667)
Cash and short-term investments – Beginning of period	57,650	926,317
Cash and short-term investments – End of period	302,967	57,650

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

1 Nature of operations

The company has a gold mine in British Columbia in the pre-operating stage (note 5(c)) and is also engaged in the exploration and development of mineral properties in Canada and the USA. The recoverability of the amount shown for mine property, plant and equipment is dependent on the company establishing sufficiently profitable operations.

The company is in the process of exploring its other mineral properties and investigating other possible property acquisitions. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent on the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development, and future profitable production. The amounts shown as mineral properties and deferred costs represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

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

2 Significant accounting policies

Principles of consolidation and change of year end

The consolidated financial statements include the accounts of Claimstaker Resources Ltd. and its subsidiaries, Equinox Resources (Calif.) Inc. (Equinox) and Auric Resources Inc., and its proportionate 50% interest in No. 75 Corporate Ventures (No. 75), an incorporated entity accounted for as a corporate joint venture.

In December 1998, the company changed its fiscal year end to December 31 from April 30.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

Inventories

The gold-in-process and supplies inventories are valued at the lower of average cost and net realizable value.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

Mine property, plant and equipment

Mine property, plant and equipment are recorded at cost. The cost of the mine property includes acquisition, exploration and development costs, and the results of operations and attributed general and administrative support costs incurred prior to the commencement of commercial production. When carrying values exceed the estimated net recoverable amount, the carrying values are written down to the estimated net recoverable amount.

Commercial production is deemed to have commenced when the plant is capable of a minimum of 60% of design capacity in each of two consecutive months. Commercial production will be deemed to have commenced on the first day of the two-month period.

Depletion of mine property, plant and equipment costs is provided on the unit-of-production method, based on proven and probable ore reserves.

Depreciation of the tailings pond, computer equipment and vehicles included in the mine property, plant and equipment balance is provided using the declining-balance method at the following rates, based on estimated useful lives:

Tailings pond	67%
Computer equipment	30%
Vehicles	30%

Exploration and development properties

The company defers exploration and administrative expenditures directly related to specific mineral properties until such time as the extent of mineralization has been determined and the mineral properties are either developed or the company's mineral rights are allowed to lapse. Deferred costs will be amortized over the useful life of the ore body following commencement of commercial production or written off if the property is sold or abandoned.

Management's estimate of recoverable proven and probable reserves is subject to risks and uncertainties of change affecting the recoverability of the company's investment in mineral properties. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

Other capital assets

Other capital assets comprise vehicles, computer equipment, office equipment and leasehold improvements. Depreciation is provided on the declining balance basis at the rates stated in note 7 over the estimated useful lives of the assets.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

Options

The company enters into option agreements for the acquisition of mineral properties. Option payments are made at the discretion of the company and, accordingly, are accounted for when paid.

Reclamation costs

A provision for estimated future decommissioning and reclamation costs is accrued on a units-of-production basis. Costs incurred during production are charged to operations in the period incurred.

Revenue recognition

Gold and silver revenues are recognized upon the delivery of gold and silver concentrates at estimated realizable value.

Convertible debenture

Upon issuance, the convertible debenture is classified into equity and financial liability components at their present value. The financial liability is accreted by way of a charge to earnings over the term of the debt.

The fair value of the convertible notes is assessed annually relative to market rates and terms for equivalent debt.

Capital stock

Capital stock issued for non-monetary consideration is recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into as determined by the Board of Directors of the company, based on the trading price of the shares on the Vancouver Stock Exchange.

Earnings (loss) per common share

Earnings (loss) per common share is calculated using the weighted average number of shares issued and outstanding during each period. Fully diluted earnings (loss) per common share is not presented as the exercise of stock options, share purchase warrants and shares issuable for convertible debentures would be anti-dilutive.

Foreign currency translation

The operations of the company's subsidiaries are translated into Canadian dollars using the temporal method as follows: monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date; other assets and liabilities at the applicable historical exchange rates; and revenues and expenses at the average rate of exchange for the year, except for non-monetary expenses which are at the rates used for the translation of the related assets. Gains and losses on translation are included in the consolidated statement of earnings and deficit.

Income taxes

The company accounts for income taxes using the deferral method.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

3 Inventories

	December 31, 1998 \$	April 30, 1998 \$
Gold-in-process	11,683	–
Supplies	63,070	–
	<hr/> 74,753	<hr/> –

4 Deposits

Deposits represent an amount receivable of \$100,000 (April 30, 1998 – \$100,000) and bonds of \$48,679 (April 30, 1998 – \$53,155) relating to reclamation permits issued on various mineral properties held by the company. An irrevocable letter of credit has been issued as collateral for the amount receivable.

5 Mine property, plant and equipment

	December 31, 1998 \$	April 30, 1998 \$
Blackdome Mine		
Property costs	160,855	321,710
Land	35,450	70,900
Mill	1,002,756	1,165,711
Tailings pond	169,779	–
Plant and mining equipment	771,754	577,461
Development costs	1,877,847	849,013
	<hr/> 4,018,441	<hr/> 2,984,795
Less: Accumulated depletion and depreciation	223,480	200,797
	<hr/> 3,794,961	<hr/> 2,783,998

a) Blackdome gold and silver property

Effective February 2, 1995, the company acquired 100% of the shares of No. 75, which in turn owns a 100% interest in the Blackdome Mine operations near Clinton, B.C. The operations include a fully equipped 200 metric tonnes per day mill, a mine with underground workings, mining equipment, and the rights over 28 mineral claims, Crown grants and mining leases.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

The following consideration was given for the Blackdome Mine operations:

	\$
Cash	200,000
Debenture (note 9)	900,000
Common shares	975,000
Less: Reclamation bond receivable	<u>(100,000)</u>
	<u>1,975,000</u>

The excess of the purchase price over the net assets in No. 75 of \$1,546,453 has been allocated as follows:

	No. 75 net book value \$	Purchase price \$
Mineral claims and leases	321,710	321,710
Mill	88,183	1,146,090
Mining equipment	<u>18,654</u>	<u>507,200</u>
	<u>428,547</u>	<u>1,975,000</u>

In addition to the common shares issued on the acquisition, the company agreed to issue an additional 600,000 common shares upon the property achieving 30 days' production at a minimum of 100 tonnes per day. The shares were issued on December 10, 1998.

In May 1996, the company entered into a joint venture agreement with Petro Plus Inc. (Petro Plus) whereby Petro Plus could acquire up to a 50% interest in the Blackdome Mine operation in consideration for \$2,500,000 due at various dates to July 31, 1997. The company received \$1,000,000 to July 11, 1997. The agreement was terminated in August 1997 when the option holder defaulted on its payments.

b) Agreement with Jipangu

On April 27, 1998, the company entered into a preliminary option agreement with Jipangu Inc. whereby Jipangu could participate in up to a 50% corporate joint venture at the Blackdome Mine in consideration of up to \$3,000,000 payable by December 23, 1998, providing that \$1,700,000 of the consideration be expended on the continuing exploration and development program on the Blackdome Mine property. Full payment of the \$3,000,000 option price was received by December 23, 1998 and the payment of \$1,700,000 had been spent on the property.

As a result of this transaction, the company realized a gain of \$456,781.

The option agreement envisages that the venturers contribute cash to meet capital and operating costs in proportion to the interest in the joint venture. The company has been appointed operator of the joint venture, and, in that capacity, is entitled to management fees equal to 7% of the operating costs.

The balance due from Jipangu of \$882,453 represents the company's share of capital and operating costs recoverable from Jipangu.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

The consolidated financial statements include the company's 50% interest in the corporate joint venture as follows:

	\$
Current assets	408,265
Long-term assets	2,837,469
Current liabilities	722,784
Long-term liabilities	289,421
Revenues	2,250
Expenses	—
Cash flow from operations	135,772
Cash flow from financing activities	—
Cash flow for investing activities	(1,190,266)

c) Start-up costs

At December 31, 1998, the Blackdome Mine had not achieved commercial production (notes 1 and 2). During the eight months ended December 31, 1998, operating costs of \$1,058,940, interest on finance leases of \$11,976, amortization of \$32,457 and gold revenues of \$327,593 were charged or credited to development costs.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

6 Exploration and development properties

Costs incurred by the company for acquisition and exploration of mineral properties held at year end are shown below:

	December 31, 1998 \$	April 30, 1998 \$
Acquisition		
Alwin (B.C.)	75,000	75,000
McIntyre-Leliever (Montrose) (Ontario)	15,698	15,698
Golden Trend (Nevada)	66,039	66,039
Zenda (California)	422,999	422,999
	<hr/>	<hr/>
	579,736	579,736
Deferred exploration costs		
Alwin (B.C.)	166,906	166,829
McIntyre-Leliever (Montrose) (Ontario)	47,174	47,174
Golden Trend (Nevada)	66,870	62,545
Zenda (California)	891,272	719,352
	<hr/>	<hr/>
	1,751,958	1,575,636
	<hr/>	<hr/>

a) Alwin Copper Mine Property

The company holds 21 mineral claims in the Highland Valley in the province of British Columbia. The company issued the final 100,000 shares in the year ended April 30, 1998 to complete its purchase of the claims. The claims are subject to a 2-1/2% net smelter royalty (NSR).

b) McIntyre-Leliever Property

The company held a 100% interest in 22 units in the Montrose area of the province of Ontario.

The claims lapsed in the eight-month period ended December 31, 1998. The company intends to restake the claims in the immediate future.

c) Golden Trend

In August 1996, the company acquired an option to purchase a 100% interest in the Golden Trend property, a block of 80 claims in central Nevada. The interest is subject to a 3% NSR, of which 2% may be purchased. The company has, to date, issued 100,000 common shares as required under the agreement to complete its purchase option. The company has agreed to pay U.S. \$10,000 each year as an advance royalty on the NSR. To date, \$43,701 (April 30, 1998 – \$28,290) of royalties have been prepaid against this obligation, and are included in deferred exploration costs.

In addition to the 80 claims purchased, the company staked an additional ten claims adjacent to the property.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

On July 27, 1998, the company entered into a letter of agreement with Jipangu whereby Jipangu may acquire a 50% interest in the Golden Trend property in return for payments of U.S. \$500,000. A down payment of \$25,000 was made on signing and a first installment of U.S. \$175,000 was received on September 30, 1998. The balance of the payments is due on September 30, 1999 (U.S. \$200,000) and September 30, 2000 (U.S. \$100,000). The company will continue to act as operator of the property and may charge a management fee of 7% of operating expenditures. The consideration of U.S. \$500,000 must be expended on the property. At December 31, 1998, monies received of U.S. \$130,036 (Cdn. \$199,710) had not been expended and are disclosed as restricted cash and an exploration obligation.

d) Zenda

Effective March 31, 1997, the company acquired a 100% interest in Equinox, which owns 100% of the Zenda Gold Mine located near Bakersfield, California. Under the terms of the agreement, the vendor is the operator, and upon raising of financing by the company, is required to construct the facility. The vendor can earn up to an additional 550,000 shares dependent upon completing the facility at various cost levels compared to the approved budget. The agreement requires the company to deliver to the vendors 2,000,000 common shares, of which 1,000,000 shares have been issued. Up to an additional 550,000 shares will be issued when the vendors meet the agreed capital cost budget. The final 500,000 shares will be issued when the company recovers its pre-production expenses.

The vendors retain a 25% net profits interest after capital payback to the company and a 5% NSR is payable to underlying interests. To date, \$384,165 (April 30, 1998 – \$232,537) of royalties have been prepaid against this obligation, and are included in deferred exploration costs.

The excess of the purchase price over the net assets of Equinox (\$253,652) has been allocated to the carrying value of the mineral claims.

7 Other capital assets

		December 31, 1998		April 30, 1998	
	Rate %	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Office equipment	20%	35,499	16,345	19,154	20,050
Computer hardware	30%	61,970	22,733	39,237	26,063
Computer software	100%	28,125	22,472	5,653	11,360
Leasehold improvements	20%	16,350	5,449	10,901	13,080
		141,944	66,999	74,945	70,553

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

8 Capital lease obligations

The company has committed to certain capital leases for a camp and plant and equipment at the Blackdome Mine.

Future minimum lease payments required in each of the next five years are as follows:

	\$
1999	114,901
2000	112,447
2001	109,850
2002	57,442
2003	24,873
	<hr/>
	419,513
Less: Imputed interest	40,132
	<hr/>
	379,381
Less: Due within one year	89,960
	<hr/>
	289,421
	<hr/>

9 Convertible debenture and interest payable

	Principal \$	Interest \$	Total \$
Balance – April 30, 1997	582,000	26,443	608,443
Interest expense	–	34,920	34,920
Interest paid	–	(30,270)	(30,270)
	<hr/>		
Balance – April 30, 1998 (as restated, (a))	582,000	31,093	613,093
Interest expense	–	23,142	23,142
Conversion to common shares	(7,480)	(34,920)	(42,400)
	<hr/>		
Balance – December 31, 1998	574,520	19,315	593,835
	<hr/>		

- a) As partial consideration for the acquisition of the Blackdome Mine operations, the company issued a \$900,000 convertible debenture maturing June 9, 1999. The debenture bears interest at 6% per annum. The debenture is secured by specific equipment associated with the Mine. The debenture and any outstanding interest can be repaid at the option of the company by issuing common shares at a deemed price of \$1.06 per share. At the option of the holder, the debenture can be converted to common shares at a deemed price of \$1.06 per share.

In February 1997, \$318,000 of principal was converted to shares. A further 40,000 shares were issued in the period ended December 31, 1998 for repayment of principal and accrued interest totalling \$42,400.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

During the period ended December 31, 1998, the company determined that it was more appropriate to classify outstanding principal and interest as equity. The consolidated balance sheet has been restated to reflect the convertible debenture and interest payable as equity.

These adjustments reduced the loss for the prior year by \$34,920, and a corresponding amount was charged directly to deficit. The loss per share was reduced from \$0.045 to \$0.043.

- b) Effective July 13, 1998, the company entered into a Letter of Intent with Jipangu Inc. to borrow up to \$4,200,000 at 10% per annum to finance the development of the Zenda Gold Mine in California to commercial production. The loan will be secured by a three year convertible, retractable, redeemable debenture which will allow Jipangu the right, within the first 12 months, to convert the loan to a 60% ownership interest in the Zenda Mine or to common shares in the company at \$0.40 per share. After 12 months the loan can be converted at the option of Jipangu to common shares at \$1 per share in the second year and \$1.25 per share in the third year. After 12 months the company has the right to retract the loan for either shares at the above noted redemption prices, or for cash or the equivalent value of gold. At December 31, 1998, \$nil had been drawn on the debt facility.

10 Commitments

Effective May 1, 1997, the company entered into a lease agreement for office space for a five-year period expiring April 30, 2002. The company has also committed to certain operating leases for the rental of vehicles. The future minimum lease payments required under these lease agreements are:

	Office rental \$	Vehicles \$
Year ending April 30, 1999	28,017	11,388
2000	29,927	11,388
2001	30,564	6,643
2002	7,641	-

In addition, the company has agreed to pay a proportionate share of the building's operating costs, including property taxes, which are currently estimated at approximately \$25,000 a year.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

11 Capital stock

a) Authorized
100,000,000 common shares without par value

b) Issued and outstanding

	Shares	Proceeds \$
Balance – April 30, 1997	11,289,121	4,936,884
For cash	1,242,000	541,800
In exchange for mineral properties	1,175,000	598,750
For debt	53,300	7,106
	<hr/>	<hr/>
Balance – April 30, 1998	13,759,421	6,084,540
For cash	5,666,000	1,406,520
Conversion of debenture (note 9)	40,000	42,400
For acquisition of investment (note 5)	600,000	450,000
	<hr/>	<hr/>
Balance – December 31, 1998	<u>20,065,421</u>	<u>7,983,460</u>

During the period ended December 31, 1998, the company completed the following private placements:

- i) Effective June 24, 1998, the company completed a private placement and issued 1,016,000 common shares at \$0.22 per share and 1,016,000 non-transferrable warrants to purchase a further 1,016,000 common shares at \$0.30 per share for an 18-month period until October 6, 1999. As at April 30, 1998, \$22,550 related to this private placement had been received and was included as share subscriptions received.
- ii) Effective June 26, 1998, the company issued 1,000,000 common shares at \$0.25 per share and 1,000,000 non-transferable warrants to purchase a further 1,000,000 shares at \$0.50 per share for an 18-month period until October 27, 1999.
- iii) On December 1, 1998, the company closed a private placement of 3,000,000 units at \$0.25 per unit. Each unit consists of one share and one warrant exercisable at \$0.45 per share in the first year and \$0.55 per share in the next two years.
- iv) During the period ended December 31, 1998, the company issued a total of 175,000 shares for the exercise of stock options for total consideration of \$45,500.
- v) In June 1998, the company issued 40,000 common shares to extinguish the 1998 liability for interest on the debenture and to convert \$7,480 of debenture principal. Pursuant to the Debenture Agreement, the conversion price was \$1.06 per share (note 9).
- vi) Effective December 10, 1998, the company issued 600,000 common shares at a deemed price of \$0.75 per share as part of the consideration given for the Blackdome Mine operations (note 5).

(11)

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

c) Stock options

Stock options issued to employees and directors are as follows:

	Number	Price per share \$	Expiry date
Balance – April 30, 1997	1,010,000	0.52 – 0.68	August 7, 1998 to January 29, 1999
Options granted	100,000	0.46	May 5, 1999
	75,000	0.46	May 13, 1999
	50,000	0.46	May 16, 1999
	430,000	0.27	February 19, 2000
Options exercised	(330,000)	0.26	August 7, 1998 to January 29, 1999
Options cancelled	<u>(100,000)</u>	0.26	January 29, 1999
Balance – April 30, 1998	1,235,000	0.26 – 0.27*	August 7, 1998 to February 19, 2000
Options granted	100,000	0.24	May 24, 2000
	705,000	0.29	August 25, 2000
	110,000	0.35	October 8, 2000
	205,000	0.50	December 21, 2000
Options exercised	(175,000)	0.26	August 7, 1998 to May 5, 1999
Options expired	<u>(405,000)</u>	0.26	August 7, 1998
Balance – December 31, 1998	<u>1,775,000</u>	0.26 – 0.50	January 29, 1999 to December 21, 2000

*On November 5, 1997, all stock options outstanding as at that date were amended to decrease the option price to \$0.26 per share.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

d) Share purchase warrants

	Number	Exercise price \$	Expiry date
Balance – April 30, 1997	1,850,000	0.40 – 0.50	December 8, 1997 to May 2, 1998
Issued (912,000 half warrants)	456,000	0.65	November 12, 1998 October 1, 1997 to July 26, 1998
Expired/cancelled	<u>(1,650,000)</u>	0.40 – 0.50	July 26, 1998
Balance – April 30, 1998	656,000	0.35 – 0.65*	June 11, 1998 to November 12, 1998
Issued	1,016,000	0.30	October 6, 1999
	1,000,000	0.50	October 27, 1999
	375,000	0.35	March 25, 2000
	3,000,000	0.45	July 13, 2001
Exercised	(100,000)	0.40	July 26, 1998
Expired	<u>(556,000)</u>	0.35 – 0.65	June 11, 1998 to November 12, 1998
Balance – December 31, 1998	<u>5,391,000</u>	0.30 – 0.50	October 6, 1999 to July 13, 2001

*On March 22, 1998, 100,000 warrants with an exercise price of \$0.40 and an expiry date of October 8, 1997 were extended for six months to June 11, 1998 and repriced to \$0.35. The warrants were not exercised and expired on June 11, 1998.

e) Option agreements

Zenda operations – up to 1,050,000 additional shares (note 6(d))

f) Convertible debenture and interest payable

The company will be required to issue common shares for the repayment of the convertible debenture and interest payable (note 9(a)).

g) Escrow shares

The number of shares held in escrow at December 31, 1998 and April 30, 1998 is 393,750.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

12 Related party transactions

a) Remuneration to directors and executive officers

A management fee of \$58,666 (April 30, 1998 – \$84,000) was paid to a director. A management fee of \$nil (April 30, 1998 – U.S. \$11,000) was paid to another director for managing the Zenda project. Other than these fees, no direct remuneration or benefits, cash or otherwise, were paid or are payable by the company to its directors or executive officers as remuneration for that office, save stock options.

b) Equipment rental

The company paid a rental fee of \$845 (April 30, 1998 – \$18,423) for mining, aircraft and automotive equipment to directors and a company owned by a director.

c) Interest

The company paid interest of \$112 (April 30, 1998 – \$622) on shareholder advances to directors.

13 Income taxes

The company has available approximately \$2,675,000 (April 30, 1998 – \$1,930,000) of income tax losses, which may be carried forward and applied against future taxable income. No benefit for these losses has been recorded in the accounts.

A reconciliation of income taxes at statutory rates and the company's effective income tax expense is as follows:

	Eight months ended December 31, 1998 \$	Year ended April 30, 1998 \$
Income taxes at statutory rates	82,754	(256,480)
Permanent differences	(34,989)	–
Benefits of losses and timing differences not previously recognized	(47,765)	256,480
	<hr/>	<hr/>
	–	–

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

14 Segmented financial information

The company operates in two segments: the operation of the Blackdome Mine in Canada and the exploration and development of gold properties in Canada and the USA. Reconciling adjustments comprise general and administrative costs, financing expenses, foreign exchange, interest income, assets, capital expenditures and amortization reported by the Canadian Head Office.

	Blackdome Mine	Exploration in Canada	Exploration in USA	Reconciling adjustments	Total
	\$	\$	\$	\$	\$
December 31, 1998					
Gain on establishment of corporate joint venture	—	—	—	456,781	456,781
Earnings for the period	—	—	—	181,399	181,399
Total assets	4,203,228	304,778	1,707,639	1,487,413	7,703,058
Capital assets	3,794,961	304,778	1,447,180	74,945	5,621,864
Capital expenditures	1,804,183	77	176,245	68,856	2,049,361
Amortization	—	—	—	23,016	23,016
April 30, 1998 (as restated, note 9(a))					
Loss for the year	—	—	—	562,209	562,209
Total assets	2,789,346	304,701	1,321,213	294,172	4,709,432
Capital assets	2,779,343	304,701	1,270,935	75,208	4,430,187
Capital expenditures	164,068	31,533	583,133	45,909	824,643
Amortization	—	—	—	29,906	29,906

15 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Claimstaker Resources Ltd.

Notes to Consolidated Financial Statements

December 31, 1998

16 Comparative figures

Certain figures have been restated to conform with the current year's presentation.

17 Subsequent events

On January 26, 1999, the company announced a private placement of 961,538 units of the company at \$0.65 per unit. Each unit will consist of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at \$0.80 per share for a period of one year following the closing date. The private placement is subject to approval by the Vancouver Stock Exchange.

Annual Meeting Date

The annual general meeting will be held at 2:00 p.m., June 3, 1999 at the Waterfront Centre Hotel, 900 Canada Place, Vancouver, British Columbia, Canada

Corporate Data

CLAIMSTAKER RESOURCES LTD. is a public company trading on the Vancouver Stock Exchange. The company is involved in mineral exploration and mine development in Canada, USA and Mexico.

HEAD OFFICE

Suite 1440 – 1166 Alberni Street
Vancouver, B.C., V6E 3Z3

Telephone: (604) 684-6677

Toll-Free for Investor Relations:
(888) 236-5200

Fax: (604) 684-6678

E-Mail : ir@claimstakerresources.com

Web site: <http://www.claimstakerresources.com>

DIRECTORS

Gregory G. Austin, Reno Nevada

Stanley G. Case, Edmonton, AB

Tamisuke Matsufuji, Tokyo, Japan

Kristian Ross, Victoria, BC

Richard D. Somerville, Salt Spring Island, BC

Frederick J. Sveinson, Richmond, BC

OFFICERS

Tamisuke Matsufuji
Chairman of the Board

Richard D. Somerville
President and CEO

Ford Cannon
Vice President

Frederick J. Sveinson
Secretary

Terry Sveinson
Treasurer

REGISTRAR AND TRANSFER AGENT

Pacific Corporate Trust Company

BANKER

Canadian Western Bank

AUDITORS

PricewaterhouseCoopers LLP, Chartered Accountants

LEGAL COUNSEL

DuMoulin Black
Vancouver, BC

STOCK EXCHANGE

Vancouver Stock Exchange
Symbol: CLN