FIRST DYNASTY MINES LTD.

1998 ANNUAL INFORMATION FORM

May 20, 1998

12213.03

TABLE OF CONTENTS

Page

CURRENCY AND EXCHANGE RATES

The Company's financial statements are denominated in United States (US) dollars. The Company primarily maintains its cash in US accounts and converts US dollars into various local currencies on an as needed basis. However, certain transactions involving the issuance of common shares of the Company are denominated in Canadian (Cdn.) dollars.

The Company's fiscal year end is December 31. The Federal Reserve Bank of New York noon buying rates for the conversion of one United States dollar into one Canadian dollar were as follows during the indicated periods:

(Stated in Canadian dollars)

	Year Ended December 31				
	1997	**1996**	**1995**	**1994**	**1993**
End of period	1.4291	1.3697	1.3656	1.4030	1.3255
High for the period	1.4292	1.3822	1.4239	1.4078	1.3443
Low for the period	1.3368	1.3310	1.3286	1.3103	1.2428
Average for the period	1.3846	1.3644	1.3689	1.3699	1.2939

The Federal Reserve Bank of New York noon buying rate on May 15, 1998 for the conversion of one United States dollar into one Canadian dollar was Cdn.$1.4505 (one Canadian dollar equals US$0.6894).

References to dollars ($) shall mean United States dollars unless otherwise indicated.

THE COMPANY

The Company was incorporated in the Province of Ontario pursuant to the *Corporations Act* (Ontario) on April 22, 1949 under the name Silverside Mines Ltd. From incorporation until 1994, the Company underwent a number of alterations in its share capital and an amalgamation (in 1989) with another Canadian public company. In July, 1994, the Company was continued under the *Canada Business Corporations Act* and in August, 1994, pursuant to a statutory arrangement, the Company consolidated its share capital on a three old for one new basis, changed its name to First Dynasty Mines Ltd. and continued to the Yukon, its present jurisdiction of incorporation. The head office and principal executive offices of the Company are located at No. 1 Temasek Avenue, #37-02 Millenia Tower, Singapore 039192 and its administrative offices are located at 900 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V6C 3L6. The registered and records office of the Company is located at 2093 Second Avenue, Whitehorse, Yukon Y1A 1B5.

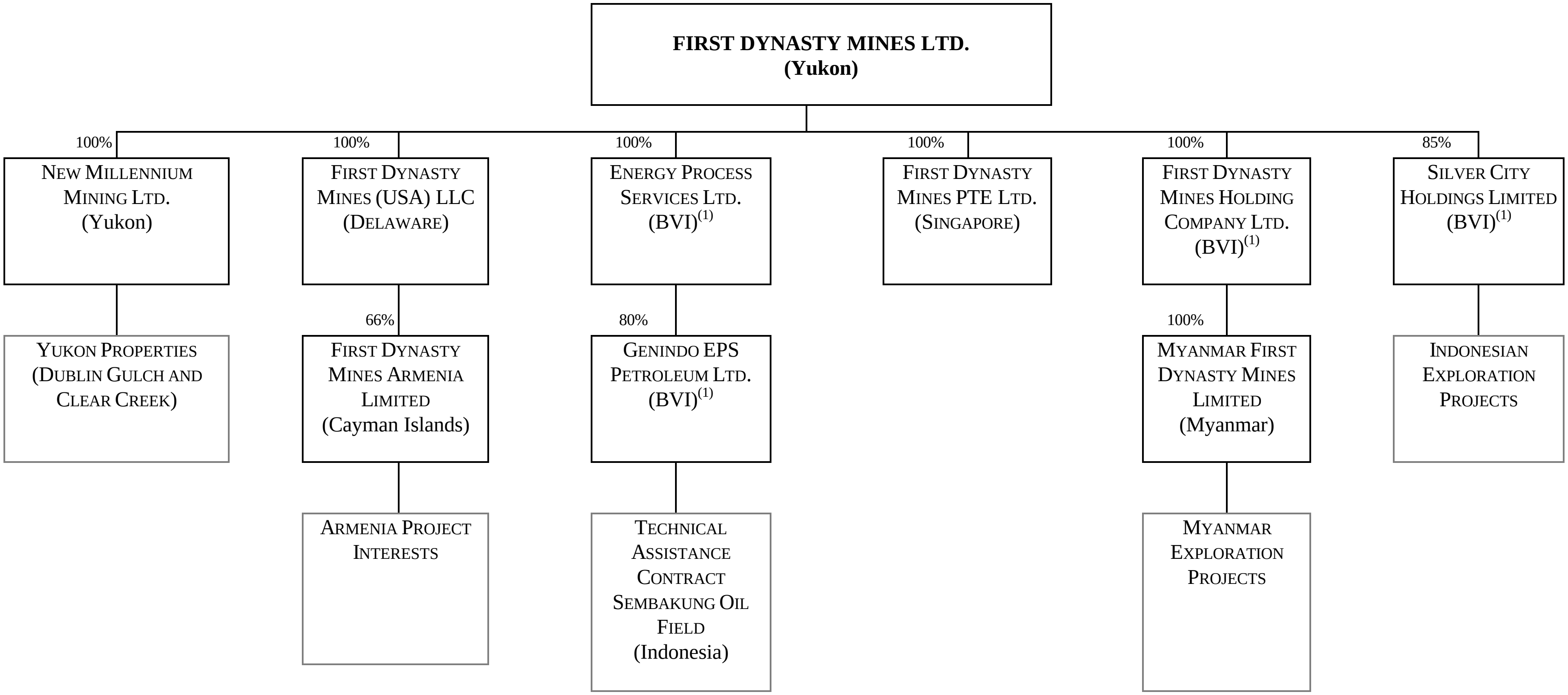
Unless otherwise specified or the context otherwise requires, all references herein to the "Company" or "First Dynasty" include the Company and its subsidiaries. The principal subsidiaries of the Company and the percentage of voting securities of each which are beneficially owned, or over which control of discretion is exercised by the Company are as follows:

Name of Subsidiary (Jurisdiction)	**Voting Securities Beneficially Owned**
First Dynasty Mines Pte Ltd. (Singapore)	100%
New Millennium Mining Ltd. (Yukon)(1)	100%
Energy Process Services Ltd. (British Virgin Islands)	100%
Genindo EPS Petroleum Ltd. (British Virgin Islands)	80% (indirect)
First Dynasty Mines Holding Company Ltd. (British Virgin Islands)	100%
Myanmar First Dynasty Mines Limited (Myanmar)	100%
First Dynasty Mines (USA) LLC (Delaware)	100%
First Dynasty Mines Armenia Limited (Cayman Islands)(2)	66% (indirect)
Silver City Holdings Limited (British Virgin Islands)	85%

(1) Formerly Ivanhoe Goldfields Ltd.

(2) Formerly Global Gold Armenia Limited

The following chart sets forth the principal subsidiaries and the resource interests held by the subsidiaries:



(1) BVI means British Virgin Islands

BUSINESS OF THE COMPANY

Overview

The Company is engaged in the business of acquiring, exploring and developing natural resource properties. The Company's current gold exploration and development projects are in Armenia, Yukon and Myanmar. The Company also has an 80% interest in an oil project in northeast Kalimantan, Indonesia which the Company has agreed to sell to an arm's length third party. The Company is seeking to acquire additional mineral assets in the former Soviet Union countries.

General Development of the Business

History

From its incorporation in 1949 to August, 1994, the Company was engaged principally in mineral resource exploration in the Province of Ontario, although the Company was not continuously active throughout this period. During the five years preceding August, 1994, the Company was, for the most part, inactive.

In August, 1994, the Company and New Millennium Mining Ltd. (formerly Ivanhoe Goldfields Ltd.) ("NMM") effected a statutory arrangement (the "Arrangement") under the *Canada Business Corporations Act* pursuant to which the Company divested itself of its existing mineral resource assets, acquired NMM and gold exploration properties in the Yukon and Venezuela, underwent a change of control and a change of management and re-located its corporate headquarters from Toronto, Ontario to Denver, Colorado.

The following transactions were effected as of August 11, 1994 (the "Effective Date"), pursuant to and by way of the Arrangement:

(b) all of the Company's then existing mineral assets and related liabilities were transferred, as of the Effective Date, to a newly incorporated company, Tequila Copper Corp. ("Tequila") and shareholders of the Company, as of the Effective Date, also became security holders of Tequila;

(c) all of the issued and outstanding common shares of NMM were transferred to the Company in exchange for the issuance of 60,000,000 common shares of the Company to the former shareholders of NMM, pursuant to which NMM became a wholly-owned subsidiary of the Company and the Company thereby acquired the Dublin Gulch and Clear Creek gold exploration properties in the Yukon;

(c) all of the issued and outstanding shares of Desarrollos Mineros Ivanhoe Holdings Ltd. ("DMI") were transferred to the Company in exchange for the issuance of 280,000 common shares of the Company to the former sole shareholder of DMI, pursuant to which DMI became a wholly-owned subsidiary of the Company and the Company thereby acquired the El Triunfo and Vemeru gold exploration properties in Venezuela;

(d) the Company's common shares were then consolidated on a three old for one new basis and, in connection therewith, the Company's name was changed to First Dynasty Mines Ltd.; and

(e) the Company was authorized to continue its incorporation into the jurisdiction of the Yukon and, as a result, the Company became a Yukon corporation and subject to the provisions of the *Yukon Business Corporations Act*.

Each of the shareholders of NMM (Darlene M. Friedland, Eric V. Friedland, Susan Pfeffer, Ilona Friedland, Robert M. Friedland, Govind Friedland, Richard Friedland, Surrinder Singh, David Boehm and Ian Telfer) held, prior to the Arrangement, between 4% and 12.5% of the issued and outstanding shares of NMM.

As a result of the Arrangement, the general nature of the Company's business did not change, but its focus was re-directed to the gold exploration properties in the Yukon and Venezuela acquired through NMM and DMI.

Prior to 1996, the Company carried on mineral exploration activities in Venezuela through a former indirect wholly-owned subsidiary, Minas Guariche, C.A. ("Minas Guariche"), which held the alluvial concessions known as El Triunfo Sections 3 and 4 and Vemeru. Under the terms of an agreement dated May 15, 1993, DMI acquired 100% indirect ownership in the Vemeru and the El Triunfo 3 and 4 mineral property concessions through the acquisition of all of the issued and outstanding shares of Minas Guariche. Total consideration in respect of this acquisition was $4,500,000 payable in instalments.

Based upon disappointing exploration results from the Company's exploration activities in Venezuela and the inability of the original owners of Minas Guariche to obtain veta (subsurface) concessions in respect of El Triunfo 3 and 4 and Vemeru, the Company decided in January, 1996 to cease all of its activities in Venezuela. Accordingly, in December, 1996, the Company settled arrangements to return the Company's Venezuelan mineral assets to their former owners in exchange for the release of the remaining $1.65 million of outstanding vendor debt associated with the properties. Conclusion of the settlement is anticipated for the third quarter of 1998.

In late 1994, the Company began investigating opportunities in the Far East to acquire oil and gas interests as a means of creating revenue for the Company while its gold properties remained exploratory. On March 29, 1995, the Company acquired all of the issued and outstanding shares of Energy Process Services Ltd. ("EPS"), a British Virgin Islands company, in consideration for the issuance to the shareholders of EPS of 14,691,993 common shares of the Company, cash of $1 million and a promissory note for $1.47 million subject to certain adjustments. The total purchase price was approximately $38 million.

Each of the shareholders of EPS (Carnea Holdings Limited, Kernal Holdings Limited, Norwich Holdings Limited, Silver Allied Ventures Inc., Timepath Trading Limited and Viva Investments Limited) held, prior to the closing of the transaction, between 10% and 26% of the issued and outstanding shares of EPS and received, in exchange therefor, a proportionate share of the consideration paid by the Company for the shares of EPS. In conjunction with the closing of the Company's acquisition of EPS, Johannes Kotjo (the principal of Kernal Holdings Limited and Norwich Holdings Limited) and Guy Hodgson (a principal of Carnea Holdings Limited) became directors of the Company and Mr. Kotjo was appointed as the Co-Chairman of the Board and Chairman of the Company's Executive Committee. Mr. Hodgson ceased to be a director on June 21, 1996. On May 3, 1996, Mr. Kotjo was appointed sole Chairman of the Board. Mr. Kotjo ceased to be Chairman and a director of the Company on June 25, 1997.

EPS owns 80% of the shares of Genindo EPS Petroleum Ltd. ("GEPS"), a British Virgin Islands company. GEPS is the contractor/operator of the Sembakung Oil Field located in northeast Kalimantan, Indonesia under a technical assistance contract (the "TAC") dated December 22, 1993 between Perusahaan Pertambangan Minyak Dan Gas Bumi Negara (the Indonesian state oil company) ("Pertamina") and P.T. Genindo Citra Perkasa ("GCP"), an Indonesian company which the Company understands is beneficially owned by Bulbul Salim (as to 20%) and Bambang Trihatmodjo, one of the sons of the President of Indonesia (as to 80%). Pursuant to an assignment dated February 24, 1994, GCP assigned all of its rights and obligations under the TAC to GEPS in consideration of the sum of $2,000,000 and reimbursement of expenses. Pursuant to an operating agreement between GEPS and EPS dated November 16, 1993, GEPS appointed EPS as the operator to carry out GEPS' obligations under the TAC. GCP owns 20% of the shares of GEPS.

In July, 1995, the Company executed agreements with the Myanmar Ministry of Mines for three mineral exploration blocks encompassing approximately 4,200 square kilometres in upper Myanmar. The agreements provide for a five year period for prospecting, exploration and completion of feasibility studies. If feasibility studies lead to a recommendation for development and production, such activities would be the subject of a joint venture to be entered into by the Company and a Myanmar state-owned enterprise. During 1996, two of the blocks were relinquished and the Company focussed its exploration efforts on the remaining block (Block 2). Field work during 1996 and 1997 identified gold mineralization in the central part of Block 2 but its size and average grade remains undefined until drilling can be undertaken.

Commencing in May, 1996, the Company implemented a corporate restructuring plan pursuant to which the Company's corporate headquarters were relocated to Singapore, the management of the Company was reorganized and related changes were made to the Company's Board of Directors.

In March 1997, NMM completed a feasibility study on its Dublin Gulch gold project, based upon production of approximately 1.2 million ounces of gold over a mine life of up to 10 years using open pit mining and cyanide heap leach methods. First Dynasty intends to complete the process of obtaining environmental permits for Dublin Gulch, to negotiate an Impact and Benefits Agreement with the NaCho Nyak Dun First Nation and to continue evaluating project feasibility.

On March 7, 1997, the Company entered into a preliminary agreement with Equatorial Energy Inc. (formerly Australian Oilfields Pty. Ltd.) ("EEI") to sell all of the outstanding shares of EPS for $40 million, subject to adjustments. In determining to sell its shares of EPS, the Company concluded that the delays of over one year in implementing its planned expansion program at Sembakung and in realizing cash flow objectives, its limited experience in managing oil and gas projects and its determination to focus on the Company's core mining business made divesture of EPS a prudent course of action.

Closing of the sale of EPS to EEI was originally scheduled for May 31, 1997 but was delayed as a result of the actions of Bulbul Salim, a director and indirect minority shareholder of GEPS, who prevented EEI's due diligence investigations from proceeding. Mr. Salim, acting against instructions of the board of directors of GEPS, effectively denied the board of directors of GEPS and the Company the ability to participate in the management of GEPS' business. The situation significantly worsened at the end of April 1997, at which time the Company and GEPS' board of directors lost access to the bank accounts and operating records of GEPS. The Company and the GEPS board of directors took steps to re-establish control, which included obtaining the court-ordered freezing of GEPS' corporate bank accounts and of Mr. Salim's personal account. In September 1997, Mr. Salim was able to open a new bank account controlled by him. Pertamina deposited monies owing to GEPS under its Technical Assistance Contract in respect of the Sembakung oilfield into this account.

On November 18, 1997, the Company, in its capacity as the indirect majority shareholder of GEPS, and GCP, the minority holder of GEPS, entered into an agreement pursuant to which:

(d) the sale by either party of its interest in GEPS to a third party is permitted;

(e) Bulbul Salim and Marcus Randolph resigned from the board of directors of GEPS effective as of November 15, 1997;

(f) the Company ceased all legal actions relating to GEPS, including the freezing of bank accounts; and

(g) any funds belonging to GEPS are to be controlled by GEPS in accordance with its constating documents and operating agreements.

In addition, on November 19, 1997, GEPS (with the concurrence of GCP and the Company) sent a notice to Pertamina irrevocably cancelling any power of authority which had previously been purportedly delegated to Bulbul Salim. The Company re-established management control of GEPS on November 25, 1997 and obtained repayment from GEPS of intercorporate loans in the aggregate amount of $10.3 million.

On January 15, 1998, the Company and EEI entered into a definitive agreement for the purchase and sale of EPS. The definitive agreement supersedes the March 1997 preliminary agreement, which contemplated an effective date for financial purposes, of January 1, 1997. Financial adjustments under the definitive agreement will be made as of January 1, 1998.

The terms of the sale provide for a cash payment of $23 million and a reimbursement of working capital. A separate agreement to sell the Company's drill rig, currently in storage in Singapore, for $3 million was concluded at the same time. The total proceeds from these sales, less transaction costs, is estimated to be $26 million. EEI is entitled to all cash flow and working capital which accrues to EPS from January 1, 1998 to closing.

Closing of the sale was scheduled for the later of April 30, 1998 or thirty days after completion of audited consolidated financial statements of EPS for the fiscal year ended December 31, 1997. Prior to the outbreak of civil unrest in Indonesia, closing of the sale was anticipated for the end of June 1998. However, the current political instability of Indonesia could delay closing until some indeterminate time in the future. Closing is contingent upon completion of due diligence, EEI financing for the transaction and receipt of all necessary regulatory, stock exchange and other approvals. There is no assurance that all conditions precedent to the sale will be completed in a timely manner or at all.

In January, 1997, the Company reached a preliminary agreement with Global Gold Corporation to invest in its wholly-owned subsidiary Global Gold Armenia Limited, which holds an interest in a multi-stage joint venture with agencies of the government of the Republic of Armenia. The initial stage of the joint venture involves the construction of a processing plant to extract gold from mine tailings. Subsequent stages will, subject to feasibility, involve the redevelopment of two idle gold mines.

On May 13, 1997 Global Gold Corporation, First Dynasty Mines Armenia Limited (formerly Global Gold Armenia Limited) and the Company reached a definitive agreement to replace the preliminary agreement and to formalize the terms of the Company's investment in First Dynasty Mines Armenia Limited. Under the terms of the definitive agreement, the Company will make investments in First Dynasty Mines Armenia Limited (initially by way of loans) sufficient to permit fulfilment of its joint venture obligations in Armenia. Amounts advanced to First Dynasty Mines Armenia Limited will entitle the Company to receive treasury shares of First Dynasty Mines Armenia Limited as certain funding thresholds are reached and, upon advancing a total of $24.5 million, the Company will own 80% of First Dynasty Mines Armenia Limited. The Company will then be obliged to buy out the remaining 20% by issuing to Global Gold Corporation a minimum of 4,000,000 common shares of the Company. Pending earn-in, the Company is entitled to exercise management control of First Dynasty Mines Armenia Limited. As of December 31, 1997, First Dynasty had earned an equity interest in First Dynasty Mines Armenia Limited of 66%.

First Dynasty Armenia Limited is a party to a joint venture agreement dated May 1, 1996 (the "First J.V. Agreement") with the Ministry of Industry and Trade of the Republic of Armenia and Armgold S.E. ("Armgold"), a state enterprise of the government of Armenia. The First J.V. Agreement contemplates the construction of a plant to process gold from mine tailings near Ararat, Armenia.

On October 1, 1997, First Dynasty Mines Armenia Limited concluded an additional agreement with the Ministry of Industry and Trade of the Republic of Armenia and Armgold to acquire a 50% joint venture interest in the Zod and Meghradzor gold mines (the "Second J.V. Agreement"). The Second J.V. Agreement, which supplements the First J.V. Agreement, is subject to ratification by the government of Armenia. First Dynasty has been advised that the ratification process will include a review of the relative economic benefits of the proposed joint venture having regard to the presently contemplated equity participation of the parties. Although First Dynasty expects the Second J.V. Agreement to be ratified by the government, there can be no assurance that the government will ratify the Second J.V. Agreement in a timely manner, or at all, nor that the government will not, as a condition of ratification, require amendments to the Second J.V. Agreement that could adversely affect First Dynasty's interest in the joint venture.

On February 4, 1998, the Company undertook an offer of rights (the "Rights Offering") to holders of its common shares. The Company issued one right for every such share. One right entitled the holder to subscribe for one common share of the Company at a subscription price of Cdn.$0.44 (approximately $0.30) on or before March 11, 1998. The subscription price was determined based on an amount equal to the weighted average price of the Company's common shares on the Toronto Stock Exchange for the five trading days ended February 3, 1998, discounted by 20%.

The Rights Offering expired on March 11, 1998. A total of 13,526,133 rights to purchase common shares of the Company were exercised. Initially, two-thirds of the net proceeds of the Rights Offering were to be applied to the repayment of an existing short term loan facility from Gerald Metals Inc. ("Gerald") of Stamford, Connecticut. Gerald agreed to waive its right to repayment from the proceeds in respect of $4 million, resulting in proceeds of $4.08 million being paid to the Company.

As at the date hereof, First Dynasty is the borrower under three short term loan facilities totalling approximately $24.25 million. These loans are to be repaid on completion of an asset sale by First Dynasty or on the stated maturity date of the loans, whichever is earlier. First Dynasty has completed successful negotiations to restructure the terms of these loan facilities and to extend the maturity dates of the underlying loans.

The remaining $3 million loan from Gerald is to be repaid upon the completion of the sale by First Dynasty of its shares of Energy Process Systems Ltd. or on August 31, 1998, whichever is earlier. This loan is secured against assets of First Dynasty. In connection with the current and the previous maturity date extensions, First Dynasty:

(i) paid Gerald loan rearrangement fees of $158,000;

(ii) applied for, and received from, the Toronto Stock Exchange acceptance to issue to Gerald 300,000 warrants to purchase Common Shares at a price of Cdn.$0.44 per Common Share in replacement of 300,000 special options previously granted to Gerald; and

(iii) applied for and received acceptance from the Toronto Stock Exchange to issue to Gerald up to 200,000 additional warrants to purchase Common Shares at a price of Cdn.$0.44 per Common Share; and

(iv) agreed to apply two-thirds of the net proceeds of the Rights Offering to the repayment of the Gerald loan facility. Gerald subsequently agreed to waive its right to repayment from the proceeds in respect of $4 million and received $150,000 from the proceeds of the Rights Offering.

The maturity date of the $5 million loan from Linyi Holdings Limited, of Hong Kong has been extended by the lender until June 30, 1998. This loan is secured against assets of First Dynasty.

From July 1997 through February 1998, the First Dynasty obtained a series of unsecured demand loans of which the current aggregate principal amount is US$11.75 million (the "Prior Loans") from Ivanhoe Capital Finance Limited ("ICFL"), a company controlled by Robert M. Friedland, who was then the beneficial holder of approximately 2.68% of the outstanding Common Shares. Darlene M. Friedland, Mr. Friedland's spouse, also beneficially owns 1,756,012 Common Shares. In July 1997, and in connection with the initial advance of the Prior Loans, First Dynasty covenanted that, if, as and when requested by ICFL to do so, it would apply to the Toronto Stock Exchange for acceptance of the conversion of all or part of the Prior Loans into Common Shares. In February 1998, First Dynasty, at the request of ICFL, applied for and received acceptance, subject to shareholder approval, from the Toronto Stock Exchange for the conversion of US$5 million of the Prior Loans into Common Shares. At the date of

ICFL's request, Mr. Friedland was neither an insider nor a related party of First Dynasty, as such terms are defined for the purposes of applicable securities laws.

Subsequent to the advance of the Prior Loans, First Dynasty approved the Rights Offering. On the exercise of the basic subscription right and the additional subscription privilege available to all shareholders under the Rights Offering, Evershine L.L.C., a company controlled by Mr. Friedland, acquired 10,396,305 Common Shares. As a result thereof, as of March 11, 1998, Mr. Friedland beneficially owned and controlled 17.33% of the Common Shares and, accordingly, became an insider and related party of First Dynasty.

On May 12, 1998, ICFL made available to First Dynasty new loans of up to US$4.5 million (the "New Loans"). The New Loans were provided by ICFL to allow First Dynasty to meet certain of its obligations to Gerald and to provide First Dynasty with ongoing working capital. In connection therewith: (i) approximately US$3.2 million was used to partially repay matured loans to Gerald; (ii) security over all of the assets of First Dynasty (subject to claims and security of Gerald in respect of its remaining loans) was granted to ICFL in respect of the New Loans; (iii) First Dynasty paid ICFL an arrangement fee of US$90,000; (iv) the ICFL loan interest rate was increased to 15%; and (v) subject to stock exchange and shareholder approval, ICFL was granted the right to convert the New Loans into Common Shares at a conversion price per share of $0.40.

The Prior Loans and the New Loans are, subject to prior conversion, to be repaid upon the completion of the sale by First Dynasty of its shares of Energy Process Systems Ltd. or on August 31, 1998, whichever is earlier.

Mr. Friedland currently beneficially owns or controls 11,866,671 Common Shares or 17.33% of the issued and outstanding Common Shares. Upon the conversion by ICFL of US$5 million of the Prior Loans at a per share conversion price of $0.40, and based on an assumed exchange rate of US$1 = $1.43, Mr. Friedland will beneficially own or control 29,741,671 Common Shares or 34.44% of the then issued and outstanding Common Shares.

Following the conversion by ICFL of US$5 million of the Prior Loans as described above, should ICFL convert the US$4.5 million of New Loans at a per share conversion price of $0.40, and based on an assumed exchange rate of US$1 = $1.43, Mr. Friedland would beneficially own or control 45,829,171 Common Shares or 44.73% of the then issued and outstanding Common Shares.

ICFL has not requested that First Dynasty apply to the Toronto Stock Exchange for the equity conversion of the remaining US$6.75 million of the Prior Loans. Neither the timing of such a request nor the conversion price (should such a request be made) can presently be determined.

Equity conversions of the Prior Loans and the New Loans by ICFL as described above could result in a material change in control of First Dynasty in favour of Mr. Friedland. Assuming such change in control, a control premium may accrue to Mr. Friedland should there be a subsequent take-over bid for First Dynasty.

None of First Dynasty, ICFL or Mr. Friedland has knowledge of any material undisclosed information relating to First Dynasty or its securities which has not been generally disclosed.

The Company has limited financial resources. There is no assurance that the Company will be able to obtain, on favourable terms or at all, the financing necessary to pay its existing loan obligations, to meet its contractual expenditure obligations in respect of its projects or to continue the exploration and development of its mineral resource properties. The Company is currently negotiating with new third party lenders with a view to refinancing its current loan obligations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities or through third party loans, there can be no assurance that the Company will be able to obtain adequate financing in the future. Recent capital market and resource industry events have adversely affected the ability of junior mineral resource companies to obtain equity financing and may adversely affect the Company's present and future ability to raise additional capital. Failure to obtain adequate financing could result in defaults under existing obligations, significant delays in exploration and development programs or defaults under material agreements any of which could result in forfeiture by the Company of its rights to its existing resource properties and substantial curtailment of operations.

PROPERTIES OF THE COMPANY

Armenia Mineral Interests

Overview

The Company's activities in Armenia are focussed upon a series of mining joint ventures created, or to be created, between First Dynasty Mines Armenia Limited (formerly Global Gold Armenia Limited) ("FD Armenia"), Armgold, a state enterprise of the Government of Armenia, and the Ministry of Industry and Trade of the Republic of Armenia (the "Ministry") involving:

(v) the construction of a $12 million plant at Ararat, Armenia to recover gold from mine tailings;

(vi) the preparation of feasibility studies respecting redevelopment of the Zod and Meghradzor mines;

(vii) if determined to be feasible, the redevelopment of the Zod and Meghradzor mines;

(viii) the construction of a gold refinery in Armenia; and

(ix) the exploration of certain other properties in Armenia.

First Dynasty has the right to earn an equity interest in FD Armenia of up to 100% by investing sufficient funds to permit FD Armenia to meet its ongoing joint venture obligations as they fall due. Pending the full exercise of its earn-in right, First Dynasty is contractually entitled to control the board of directors of FD Armenia and manage its projects. As at December 31, 1997, First Dynasty had earned a 66% equity interest in FD Armenia.

First Dynasty, through FD Armenia, completed the construction and commenced commissioning of the Ararat tailings processing plant during the first quarter of 1998. The plant was officially opened by the Prime Minister of Armenia at a ceremony in February 1998 at which the first gold was poured. The commissioning phase is expected to be completed, and commercial production is expected to commence, in May 1998. Feasibility studies for the proposed redevelopment of the Zod and Meghradzor mines are underway and should be completed during the second quarter of 1998. Prefeasibility results as at December 1997 indicate that restarting production at Meghradzor at an annual rate of 55,000 ounces of gold per year at an average cash cost of $142 per ounce would cost approximately $22.8 million. Redeveloping Zod would require an initial capital investment of approximately $63.3 million to produce 136,000 ounces of gold per year at an average cash cost of $160 per ounce. As of March 31, 1998, First Dynasty had incurred expenditures in respect of the Ararat tailings project, the ongoing feasibility studies for Zod and Meghradzor and its related activities in Armenia of approximately $21.5 million.

Background

On May 1, 1996, Armgold, the Ministry (collectively the "Armenian Parties") and Global Gold Corporation ("Global Gold") entered into a joint venture agreement (the "First Joint Venture Agreement"). Global Gold is a widely held Delaware corporation and a registrant under the United States Securities Exchange Act of 1934. Global Gold subsequently assigned all of its rights and obligations under the First Joint Venture Agreement to its wholly-owned subsidiary FD Armenia, a Cayman Islands corporation.

Pursuant to the First Joint Venture Agreement, FD Armenia and the Armenian Parties formed AGRC Tailings LLC (formerly Armenian Gold Recovery Company LLC) ("AGRC Tailings"), a joint venture limited liability company under the laws of the Republic of Armenia. The First Joint Venture Agreement contemplates a joint venture owned, as to 50%, by FD Armenia and, as to 50%, by the Armenian Parties. The First Joint Venture Agreement involves a multi-stage redevelopment of the Armenian gold mining industry. Stage 1 involves the construction by AGRC Tailings of a processing plant at Ararat to extract gold from mine tailings and the completion of feasibility studies and business plans for the redevelopment of idle gold mines at Zod and improving mining operations at Zod and Meghradzor based upon the Stage 1 feasibility studies. Stage 2 is to consist of the engineering and building of a gold processing plant at the Zod mine. Stage 3 is to involve the engineering and construction of a gold processing plant at the Meghradzor mine, an exploration program to locate and develop new ore bodies and the preparation of a feasibility study for a gold refinery.

Under the terms of the First Joint Venture Agreement, the Armenian Parties are required to contribute to the tailings recovery project the rights to mine the Ararat tailings. FD Armenia is required to contribute the equipment, expertise and funding necessary to develop the project. Upon commencement of production, proceeds will be distributed to the co-venturers based on a sliding scale depending on the gold recovery rate from the tailings. FD Armenia's share will be between 50% and 66.6%. AGRC Tailings will be entitled to a two year tax holiday followed by preferred tax rates in Armenia for a period of eight years thereafter. The First Joint Venture Agreement provides that if the results of feasibility studies in respect of Zod and Mehgradzor are favourable, FD Armenia and the Armenian Parties will negotiate mutually acceptable joint venture arrangements for redevelopment of the Zod and Meghradzor mines. If the Armenian Parties, acting in good faith, do not accept FD Armenia's business plans in respect of either or both of Zod and Meghradzor, FD Armenia will be entitled to be compensated for its agreed actual expenses through an increased interest in the tailings recovery project and will retain a right of first refusal to participate in any future development of Zod and Meghradzor.

On October 1, 1997, FD Armenia concluded an additional agreement with Armgold to acquire a 50% joint venture interest in the Zod and Meghradzor gold mines (the "Second J.V. Agreement"). The Second J.V. Agreement, which supplements the First J.V. Agreement, is subject to ratification by the government of Armenia. The Company has been advised that the ratification process will include a review of the relative economic benefits of the proposed joint venture having regard to the presently contemplated equity participation of the parties. Although the Company expects the Second J.V. Agreement to be ratified by the government, there can be no assurance that the government will ratify the Second J.V. Agreement in a timely manner, or at all, nor that the government will not, as a condition of ratification, require amendments to the Second J.V. Agreement that could adversely affect the Company's interest in the joint venture.

The principal terms of the Second J.V. Agreement include:

(h) 50% joint venture ownership by each of FD Armenia, the Ministry of Industry and Trade of the Republic of Armenia and Armgold in the Zod and Meghradzor projects as well as in a proposed gold refinery development project and certain proposed exploration ventures;

(i) management of the projects by FD Armenia under supervision of a board of directors with equal representation by the two co-venturers;

(j) the right to export gold and to hold offshore accounts;

(k) a two year profit tax holiday, followed by eight years of half tax (equivalent to 15% at current rates);

(l) all capital to be supplied by FD Armenia with pay back of 100% of invested funds from 70% of operating profits, until repaid; and

(m) exploration rights within a 20 kilometre radius of the Zod and Meghradzor mines.

The Company's right to earn an equity interest in FD Armenia is contingent upon FD Armenia's continuing ability to satisfy its obligations under the First J.V. Agreement and the Second J.V. Agreement through funding contributions by the Company which will depend, among other things, on the availability of financing to the Company. There can be no assurance that the Company will be able to obtain adequate financing in the future.

Agreement with Global Gold

The Company entered into a preliminary agreement with Global Gold on January 27, 1997 which provided the basic framework for the proposed investment by the Company in FD Armenia and its Armenian mining projects. Pursuant to the preliminary agreement, the Company advanced a loan to FD Armenia and Global Gold in the sum of $675,000 and agreed to fund payment obligations of AGRC Tailings in respect of a tailings dam construction contract and an engineering, procurement and construction contract in respect of the tailings project. In consideration for these commitments, the Company received the exclusive right to invest in FD Armenia and acquire an equity interest therein of up to 100%.

On May 13, 1997, Global Gold, FD Armenia and the Company entered into a definitive agreement to replace the preliminary agreement. The material terms of the definitive agreement are as follows:

(n) the Company has committed to advance sufficient funds to FD Armenia from time to time to enable FD Armenia to continue meeting its joint venture obligations in Armenia as and when they fall due and to advance additional funds to defray expenses incurred by Global Gold and FD Armenia in the negotiation of the Second Joint Venture Agreement and to enable FD Armenia to retain Robert Garrison of Global Gold as a consultant in respect of the Armenia mining projects;

(o) funds advanced by the Company will be treated as convertible loans advanced pursuant to a debenture issued by FD Armenia, guaranteed by Global Gold and secured by a pledge of all of the issued and outstanding shares of FD Armenia;

(p) loans advanced by the Company to FD Armenia will automatically convert into treasury shares of FD Armenia as follows,

   (i) loans in the aggregate amount of $6,490,000, when advanced, will automatically convert into a sufficient number of shares of FD Armenia to give the Company 25% of the issued and outstanding shares of FD Armenia,

   (ii) additional loans in the aggregate amount of $3,520,000, when advanced, will automatically convert into a sufficient number of additional FD Armenia shares to give the Company 51% of the issued and outstanding shares of FD Armenia, and

   (iii) each incremental loan advance of $500,000 made thereafter will entitle the Company to receive an additional 1% of the issued and outstanding shares of FD Armenia until the Company has advanced the aggregate sum of $14,500,000 whereupon the Company will own 80% of the issued and outstanding shares of FD Armenia;

(q) upon acquiring 80% of the issued and outstanding FD Armenia shares, the Company will be obliged, within eighteen months thereafter, to buy out the remaining FD Armenia shares owned by Global Gold in consideration for the issuance to Global Gold of at least 4,000,000 common shares of the Company (or special warrants convertible into common shares). Global Gold will be entitled to receive additional common shares of the Company (or special warrants), based upon a formula, if reserves at the Zod and Meghradzor mines are determined to exceed 5,000,000 ounces of gold. The Company will be obliged to qualify for trading in Canada the common shares issuable to Global Gold if, during the period commencing six months prior to the buyout deadline and ending eighteen months thereafter, the Company files a prospectus in Canada to qualify other securities of the Company for trading;

(r) Global Gold and the Company have entered into a shareholders' agreement in respect of FD Armenia which provides for,

(i) control by the Company of the board of directors of FD Armenia,

(ii) restrictions on the sale of any FD Armenia shares to third parties and, in respect of permitted sales, rights of first refusal and rights of participation in respect of any third party purchase offer, and

payment of quarterly dividends to the shareholders of FD Armenia commencing in September, 1998;

(s) Global Gold will have the right to exercise a one-time election to participate in any exploration project undertaken prior to December 31, 2009 by any Armenian joint venture company in which FD Armenia holds an interest, at a participation level of up to 20% of FD Armenia's interest therein; and

(t) the Company's right to invest in FD Armenia pursuant to the definitive agreement will remain exclusive for as long as the Company continues to meet its commitments to maintain FD Armenia's interest in the Armenian joint ventures in good standing.

The Company's obligations under the definitive agreement to issue common shares (or special warrants) to Global Gold are subject to the prior approval of the Toronto Stock Exchange.

Zod Geology and Mining

The Zod deposit consists of epithermal/mesothermal gold-quartz-sulphide veining localized in 38 veins of varying dimensions. Thirty six veins are within altered mafic to ultramafic rocks (mainly gabbros) along sub-parallel, east-west trending faults with steep and predominantly northerly dip. Two orebodies, No's 4 and 39, consist of mineralized quartz porphyry. These are the largest orebodies which constituted 25% of the original Soviet reserves and provided 50% of the production to date.

Most of the resources are contained in six veins and the biggest part of the underground production has come from the wider veins, which in some parts have been mined to the bottom level at 2,180 elevation. In order to maintain high production, it will be necessary to develop these veins below the bottom level by declines early in the production schedule and an early start on deep exploration will have to be made.

Zod has been mined largely by open pit. Because of the soft ground conditions, and the high cost of underground mining, the open pit should be deepened to the 2,220 m elevation if feasible. The west end of the deposit will have to be mined by underground methods because of high stripping ratios. The amount of underground production presently possible is limited to 600,000 tonnes per year because of the size of the haulage adit.

At present, underground mining is carried out by a top down cut and fill method which involves driving on the vein, filling the void with concrete and repeating the process below the existing drift with the protection of the concrete fill overhead.

Meghradzor Geology and Mining

The Meghradzor deposit consists of eight narrow, high grade epithermal gold quartz-veins hosted primarily by Eocene-Miocene volcano-sedimentary and volcanogenic rocks and Eocene-Miocene granitoid intrusions. The quartz veins occur in a closely spaced series of sub-parallel branching faults related to a large east-west fault system which appears to be related to a series of mineralized occurrences extending to the Zod Mine 135 km to the east.

The Meghradzor mine is accessed by a series of adits on 10 levels and is mined in a top down sequence. An open stoping method is employed in which sub-levels are driven at 10 m intervals and the ore above each level is blasted and removed to avoid consolidation of the wet clay. A wooden floor is laid on the sub-drift floor to provide worker protection while the underlying panel is removed.

Prefeasibility Studies Results - Zod and Meghradzor

The Company has received the results of pre-feasibility studies respecting the redevelopment of the Zod and Meghradzor mines in Armenia. The December 1997 results indicate that the redevelopment of the two mines should proceed in two steps, beginning with Meghradzor. Restarting Meghradzor would cost an estimated $22.8 million to produce 55,000 ounces of gold per year at an average cash cost of $142 per ounce. Initial production would be targeted for late in 1998 and processing would occur by modifying the Ararat tailings plant (which is currently being commissioned at 25,000 ounces per year). Introducing Meghradzor feed would increase production at Ararat to 61,000 ounces per year.

Redeveloping Zod would require an estimated initial capital investment of $63.3 million to produce 136,000 ounces per year at an average cash cost of $160 per ounce produced. Zod redevelopment would include a new, on-site reprocessing plant. Combined with Meghradzor and Ararat, these projects would be producing 200,000 ounces per year at an average cash cost of $178 per ounce by the end of 1999.

The pre-feasibility studies were completed by a joint venture between Kilborn SNC-Lavalin and CMPS&F ("KCMP"). Snowden Associates undertook the resource estimation and mining components of the study. These pre-feasibility studies are an interim step in the completion of full feasibility studies in the second quarter of 1998.

Zod

Snowden has applied the Australian JORC Code to the Resource estimate. This yields an Indicated Resource at a 3.0 grams per tonne cut-off of 8.4 million tonnes containing 6.20 grams of gold per tonne and an Inferred Resource at a 3.0 grams per tonne cut-off of 2.3 million tonnes containing 5.33

grams of gold per tonne. There is also a large potential resource that has not been included in the Snowden estimate. Previous work by the Armenian state gold mining company, Armgold, estimated this resource to be a further 13 million tonnes.

For the pre-feasibility studies, tonnage and grade estimates were made for the surface and underground mines. These did not follow strictly the JORC Code on Reserve Estimation as they may include some Inferred Resources. However, the "mining inventory" so estimated is:

	(Million) Tonnes	**(grams/tonne) Grade**	**(grams/tonne) Cut-off Grade**	**Strip Ratio**
Open Pit	4.0	5.83	1.56	10:1
Underground	4.7	5.91	3.5	N/A

The underground estimates include dilution of 10% and mining losses of 21.3%.

The studies assumed an annual ore-processing rate of 1.0 million tonnes per year from a new on-site plant. The selected processing technology is gravity separation followed by a simple cyanide-in-leach (CIL) circuit. The assumed metallurgical recovery is 70%, which represents the average metallurgical testwork results obtained to-date with the various orebodies. Average annual gold production is estimated to be 136,000 ounces per year.

Zod's initial capital cost was estimated to be $63.3 million, including a 15% contingency, working capital, and owner's costs. Steady state operating costs are estimated to be $23.80 per tonne processed, equivalent to $177 per ounce produced. Year 1 operating costs of $27.65 per tonne raise the life-of-mine average operating cost to $182 per ounce produced. KCMP has estimated the accuracy of the capital and operating cost estimates to be plus 15% to minus 5%.

Meghradzor

The preliminary Meghradzor "mining inventory" estimate is based on the Armenian resource/reserve figures and, as such, does not adhere to the JORC Code. This mining inventory is estimated by Snowden to be 815,000 tonnes with an average grade of 12.25 grams gold per tonne at a cut-off grade of 6.0 grams per tonne. This estimate assumes 30% dilution and 20% mining loss.

The study assumed an annual ore-processing rate of 125,000 tonnes per year. Metallurgical testwork, using the same simple metallurgical process as was applied at Zod, has produced 90% recovery. Average annual gold production is estimated to be 36,000 ounces of gold per year.

The study scope of work assumes that the Meghradzor production is shipped over an existing railroad line to the existing plant at Ararat. The estimated capital cost of $22.8 million will upgrade the nearly complete 1.5 million tonne per year tailings reprocessing facility at Ararat to handle the additional material produced from Meghradzor plus redevelop the mine and upgrade the railroad and related equipment.

Steady state operating costs at Meghradzor are estimated to be $43.83 per tonne processed, equivalent to $142 per ounce produced.

Ararat Tailings Project

During the life of the Ararat Treatment Plant about 12 million tonnes of ore was processed and deposited in a tailing containment area 5.5 km from the plant site. The tailings deposit was systematically sampled by Global Gold in late 1995 and the materials subjected to extensive metallurgical testwork by Lakefield Research of Ontario, Canada. The testing established that a recovery of approximately 50% of the contained gold can be achieved by treating the tailings through a conventional Carbon-in-Leach circuit with no additional grinding. Procurement and construction for a 1.5 million tonnes per year facility has been started under the supervision of Kilborn SNC-Lavalin. The plant will be constructed adjacent to the Ararat Mill. This project, which is expected to be completed within its $12 million budget, will produce 24,000 ounces per year of gold. Combined with production from Zod and Meghradzor, the Company's Armenia projects should produce just under 200,000 ounces of gold per year. By integrating Meghradzor production into Ararat, it should be possible to introduce feed from Meghradzor during the third quarter of 1998.

First Dynasty, through FD Armenia, completed the construction and commenced commissioning of the Ararat tailings processing plant during the first quarter of 1998. The plant was officially opened by the Prime Minister of Armenia at a ceremony in February 1998 at which the first gold was poured. The commissioning phase is expected to be completed, and commercial production is expected to commence, in May 1998.

Ararat Process Plant

The Ararat process plant, with a capacity of 1 million tonnes per year, is in a partial state of disrepair due to the lack of capital for maintenance. The run of mine ore was sent directly to the grinding circuit but a jaw crusher has been partially installed and would be workable with relatively little additional work. At present the Pachuca tanks in the cyanide leach circuit are being rebuilt as a make work project.

The main components, such as conveyors and grinding circuit, appear to be in working condition and the flotation circuit is still in place. As the plant was in working condition at the time of shut down, rehabilitation can be done at a reasonable cost to continue treating ore from Meghradzor or any other source. Of importance is the fact that the plant has two milling circuits which gives it an element of flexibility.

Yukon Mineral Interests

Dublin Gulch Property

The Company's rights to the Dublin Gulch mineral properties are held through NMM. Pursuant to a property agreement made as of April 10, 1991 as amended November 27, 1992 (the "Dublin Gulch Option Agreement") among Queenstake Resources Ltd. ("Queenstake"), Can Pro Development Ltd. (now

Cadre Resources Ltd.) ("Can Pro") and NMM, NMM granted options to acquire certain interests in a total of 521 mineral claims comprising three tracts of the Dublin Gulch Property - the "Mar Gold Property" (311 mineral claims), the "Mar Tungsten Property" (177 mineral claims and 87.5% interest in one Crown grant claim), and the "Mar Tungsten Leases" (32 mineral leases and claims). A significant portion of the Mar Gold Property is subject to a 2% net smelter return royalty, reducing to a 1% net smelter return royalty after payment of Cdn. $1 million. In addition, the Dublin Gulch Property is subject to a statutorily-prescribed net profits royalty payable to the Crown under the Yukon Quartz Mining Act on production from the property.

After entering into the Dublin Gulch Option Agreement, NMM staked an additional 494 mineral claims and allowed 16 to lapse. The Mar Tungsten Leases are subject to a joint venture agreement with NMM having a 51% interest and Queenstake having a 49% interest. The Dublin Gulch Property presently consists of 988 mineral claims, 10 mineral leases, and one crown grant. In addition to those claims and leases, NMM holds placer claims over the portion of the Haggart Creek from Lynx Creek to Ironrust Creek, and over Dublin Gulch.

On December 2, 1992, in connection with a private placement of Can Pro shares to Robert M. Friedland (then a shareholder of NMM), Can Pro executed a release and quitclaim in favour of NMM of its interest in and to the Mar Gold Property and acknowledged that the Mar Gold Property option, to the extent of Can Pro's interest therein as optionor, was deemed to have been exercised by NMM and Can Pro had no further right to a 5% net profits royalty originally granted under the terms of the Dublin Gulch Option Agreement.

On August 19, 1994, the Company issued 72,046 common shares at a deemed price of Cdn. $3.47 per share to Queenstake Resources Ltd. in order to exercise, on NMM's behalf, NMM's option, pursuant to the Dublin Gulch Option Agreement, to acquire the balance of the mining claims comprising the Dublin Gulch property not already held by NMM.

In March, 1997, NMM completed a feasibility study on the Dublin Gulch gold project, based on production of approximately 1.2 million ounces of gold over a mine life of up to 10 years using open pit mining and cyanide heap leach methods. The Company intends to use the feasibility study to seek participation or interest by other companies.

The Dublin Gulch Property is located about 40 km (25 miles) northeast of Mayo and 20 km (12 miles) northwest of Elsa. Two-wheel drive access to the property is provided by Highway 11, 39 km (24.4 miles) northeast from the village of Mayo to the South McQuesten River road, a 50 km (31 mile) gravel road which connects the property to Highway 11.

The project area is underlain by Upper Proterozoic to Lower Cambrian Hyland Group clastic rocks of the Selwyn Basin. These rocks have been deformed by Early Cretaceous thrusting and later regional scale gentle folding. Subsequent to this deformation, the clastic rocks were intruded by Cretaceous Tombstone Suite intrusions. Alteration and mineralization on the property are related to the Dublin Gulch Stock, a Cretaceous granodiorite intrusive. Country rocks have been hornfelsed, and skarns occur locally.

Four zones of intrusive hosted gold have been identified on the property, being the Eagle, Olive, Shamrock, and Steiner zones. Exploration work has focused on the Eagle Zone. In the Eagle Zone, mineralization occurs in sheeted quartz veins that are generally restricted to the granodiorite. Veins vary in width from a few millimetres to 15 cm, but most commonly are in the 0.5 to 1 cm range. Vein density ranges from 0 to greater than 15 per metre, with an average of 3 to 5 per metre in mineralized zones. Gold occurs as native gold liberated in gangue or associated with bismuth minerals. Lesser amounts of gold appear encapsulated in arsenopyrite.

The following table sets forth estimates of Proven Reserves and Probable Reserves in respect of the Dublin Gulch mineral property as prepared by Mineral Resources Development Inc. and reported in a feasibility report dated April, 1997 prepared by Rescan Engineering Ltd. (the "Feasibility Study").

	Tonnes (Millions)	**Gold Grade (Grams/Tonnes)**	**Contained Gold (Million Oz.)**
Proven Reserves and Probable Reserves	50.4	0.93	1.51
Inferred Resource (within Open Pit)	7.7	0.77	0.19

The mineable reserves described above are located within a designed open pit area in the Eagle Zone of the Dublin Gulch mineral property. For the year ended December 31, 1995, prefeasibility work on the Eagle orebody had previously defined 32.8 million tons in the proven and probable categories at 0.027 ounces per ton, containing 896,000 ounces of gold.

During the period from January 1, 1994 until December 31, 1995, exploration and development expenditures on the Dublin Gulch mineral property totalled approximately $3,341,000, and during the period from January 1, 1996 to December 31, 1996, approximately $4.8 million.

An addendum to the Company's initial environmental evaluation was filed with government regulators on December 23, 1996. A draft water management plan was issued to the relevant authorities on June 11, 1997. A draft screening report from the Department of Indian and Northern Development is expected to be issued during the third quarter. A public hearing of the Yukon Territorial Water Board (the "Water Board") is expected to be held in the fourth quarter of 1997, with final Water Board approval expected in late 1997.

On September 6, 1996 an agreement was signed between the First Nation of NaCho Nyak Dun and NMM. It provides a framework for the conducting of discussions for a definitive impact and benefits agreement. Negotiations for this agreement are currently taking place.

The Feasibility Study indicated that other opportunities exist to improve the project economics which warrant additional review such as optimizing the mine plan with a larger haulage fleet and contract mining. The Feasibility Study stated that ongoing exploration in conjunction with more development could increase the property's potential.

First Dynasty entered into a letter of intent dated August 27, 1997 (the "Letter of Intent") with Cornucopia Resources Ltd. ("Cornucopia") pursuant to which Cornucopia agreed in principle to acquire all of the issued and outstanding shares of NMM. On October 29, 1997, upon completion of their respective due diligence investigations, both First Dynasty and Cornucopia concluded that the transaction did not satisfy their respective business objectives and agreed to terminate the Letter of Intent.

First Dynasty plans to continue evaluating project feasibility and, if conditions are favourable and adequate financing is available, pursue development of the project. The Company continues to evaluate all options for maximizing the value of Dublin Gulch, including a possible joint venture or sale.

Clear Creek Property

NMM acquired its interest in the Clear Creek property through two option agreements:

(i) a property option agreement dated February 11, 1993 as amended February 22, 1993 and further amended January 7, 1994 among Ronald Robertson and Kevin McCrory (the "Optionors") and NMM, the Optionors granted NMM an option to acquire a 100% interest in the Rum, Rye and Dum Claims in the Dawson Mining District of the Yukon Territory; and

(ii) a property option agreement dated April 29, 1993 among Blackstone Placer Mining Ltd., Nelson Harper (the "Optionors"), certain related placer claim holders and NMM, the Optionors granted to NMM an option to acquire a 100% interest in the Rain, Wind and Sleet Claims which are adjacent to the Rum, Rye and Dum Claims.

The Company has paid a total Cdn.$510,000 in cash and common shares of the Company to the Optionors to exercise NMM's options on these properties and such options have been fully exercised.

The Clear Creek property is located near Left Clear Creek, and covers the northern portion of the West Ridge, a north-northwest trending mountain range. Access to the property is via the Klondike Highway (#2) north of Whitehorse for 435 km and then 37 km east on a seasonal gravel road over Barlow Dome to the western boundary of the property on Left Clear Creek. A gravel road and 4x4 trails provide access to a large portion of the property.

On May 18, 1995, NMM entered into an option agreement with Kennecott Canada Inc. ("Kennecott") pursuant to which Kennecott could acquire part of the Company's interest in the Clear Creek Property. During 1995, Kennecott outlined anomalous gold mineralization within an area of 1,200 metres by 200 metres based upon the results of 1,970 metres of reverse circulation drilling. Kennecott subsequently advised the Company that, based upon the results obtained, Kennecott did not believe that the potential of the Clear Creek Property met its size criteria and that Kennecott was terminating the option.

The Clear Creek Property is without a known body of commercial ore.

Myanmar Mineral Interests

In July, 1995, the Company executed agreements with the Myanmar Ministry of Mines for three gold exploration blocks covering an aggregate of approximately 4,200 square kilometres in upper Myanmar (formerly Burma). Block 2 is located in the Wuntho Massif, approximately 250 kilometres north of Mandalay, and two contiguous Blocks, numbers 10 and 11, are located on the Shan Scarp, east of Mandalay.

The agreements provide for up to five years of prospecting, exploration and feasibility study activities although the Company may cease such activities at any time and without incurring any penalties. During the initial prospecting stage, the Company is required to spend not less than $105 per square kilometre on prospecting activities. If, at the end of the one year prospecting stage, the Company elects to commence exploration activities on areas of interest identified during the prospecting stage, the Company is required to relinquish 50% of the original concession area. During the one year exploration stage (which may be extended for an additional two years), the Company is required to spend not less than $500 per square kilometre on exploration activities. If, at the end of the exploration stage, the Company elects to commence feasibility studies, the Company is required to relinquish 50% of the remaining concession area (effectively, a further 25% of the original concession area). The Company has one year to complete its feasibility studies. If the feasibility studies lead to a recommendation for development and production, such activities would be the subject of a joint venture in which the Company and a Myanmar state-owned enterprise would each have an initial 50% interest. In early 1998, First Dynasty requested the government increase the Company's interest in the joint venture to 84%. The drilling program has been suspended pending the outcome of this request.

Initial prospecting was conducted on three blocks from November 1, 1995 until mid-year 1996. Field work consisted of stream sediment sampling, rock chip and float sampling, and geological mapping by several teams of geologists. Reconnaissance prospecting was completed on Blocks 10 and 11, and 75% of Block 2. Following interpretation of field results, the Company decided to relinquish Blocks 10 and 11 and focus all future work on pursuing the results obtained on Block 2.

Block 2 consists of 1,400 square kilometres. The Company elected to enter the exploration stage in respect of Block 2 on November 1, 1996 and received permission from the Myanmar Department of Geological Survey and Exploration to retain 100% of Block 2, through the first year of the exploration stage, after which the size of Block 2 must be reduced to 50%. A bonus payment of $100,000 was made in connection with the election to enter the exploration stage and a dead rent payment of $54,012 was made in the first quarter of 1996. A total work expenditure of $700,000 is required on the block during the first year of the exploration period.

Block 2 is located on the north end of the Wunthro Massif where a continental-scale, tectonic-igneous linear (the Bunna Volcanic Arc) is intersected by continental-scale structural influences (Sagaing transform fault). On a smaller scale, geological structures include the contact aureole of the Pinhinga intrusive complex and tensional faults that cut the Namma antiform.

During field work by the Company in the 1995-96 field season, eight anomalous targets were identified based on subcrop or near in-site sample media and associated geological features. Artisanal mining was observed in several of the anomalies.

$2.0 million was approved during the 1996-97 field season from November, 1996 to May, 1997. The Company used thirty geologists in the field on Block 2, of which 25 were on secondment from the Myanmar Department of geological services. Work included mapping, trenching sampling and helicopter-mounted geophysical surveying. Gold mineralization has been encountered near the centre of Block 2 in north central Myanmar and the results from a sampling program have been encouraging. Several targets have been identified for drill testing during the 1997-98 field season.

Block 2 is without a known body of commercial ore.

Indonesian Mineral Interests

During the first quarter of 1997, the Government of Indonesia granted approvals to the Company for exploration rights over seven blocks of land covering an area of 208,000 hectares located in Kalimantan and Java. As exploration conducted on behalf of the Company throughout 1997 did not yield positive results, the Company relinquished its rights to these seven blocks in January, 1998. The Company has expensed mineral acquisition and exploration expenses incurred in respect of these blocks in the amount of $2.79 million. The Company expects to receive a cash refund on deposits in the amount of approximately $1 million from the Indonesian Ministry of Mines sometime in 1998.

Oil and Gas Properties

Overview

In March 1995, the Company acquired all of the outstanding shares of EPS for 14,691,993 common shares of the Company at a deemed price of Cdn.$3.25 per share, cash of $1 million and a promissory note for $1.47 million. The total cost of the acquisition was approximately $38 million. EPS owns 80% of the shares of GEPS, the contractor/operator of the Sembakung Oil Field under the TAC. The Company acquired EPS as an opportunity to build business alliances and experience in Indonesia. In addition, an investment in EPS offered the opportunity for nearer term cash flows than other mining exploration projects then being considered.

In March, 1997, the Company entered into an agreement (the "Preliminary Agreement") with Equatorial Energy Inc. (formerly Australian Oilfields Pty. Ltd.) ("EEI") for the sale by the Company to EEI of all of the outstanding shares of EPS. The consideration under the Preliminary Agreement is $40 million, to be paid in cash. In determining to sell its shares of EPS, the Company considered the delays of over one year in implementing its planned expansion program at Sembakung and in realizing cash flow objectives, its limited experience in managing oil projects, its belief that EPS' value can best be captured by a company focussed on the Indonesian oil business and the other opportunities available to the Company in its core business of gold exploration, mining and development.

Closing of the sale of EPS to EEI was originally scheduled for May 31, 1997 but was delayed as a result of the actions of Bulbul Salim, a director and indirect minority shareholder of GEPS, who prevented EEI's due diligence investigations from proceeding. Mr. Salim, acting against instructions of the board of directors of GEPS, effectively denied the board of directors of GEPS and the Company the ability to participate in the management of GEPS' business. The situation significantly worsened at the end of April

1997, at which time the Company and GEPS' board of directors lost access to the bank accounts and operating records of GEPS. The Company and the GEPS board of directors took steps to re-establish control, which included obtaining the court-ordered freezing of GEPS' corporate bank accounts and of Mr. Salim's personal account. In September 1997, Mr. Salim was able to open a new bank account controlled by him. Pertamina, the Indonesian government mineral, oil and gas company, deposited monies owing to GEPS under its Technical Assistance Contract in respect of the Sembakung oilfield into this account.

Based on the then prevailing loss of effective management control, and in accordance with Canadian accounting standards, the Company concluded that financial consolidation of its investment in GEPS in the Company's 1996 annual financial statements was no longer appropriate and the value of EPS on the Company's balance sheet was reduced to $32 million, representing an impairment of $26 million.

On November 18, 1997, First Dynasty, in its capacity as the indirect majority shareholder of GEPS, and Genindo Citra Perkasa ("GCP"), the minority holder of GEPS, entered into an agreement (the "GEPS Agreement") pursuant to which:

(u) the sale by either party of its interest in GEPS to a third party is permitted;

(v) Bulbul Salim and Marcus Randolph are to resign from the board of directors of GEPS effective as of November 15, 1997;

(w) First Dynasty is to cease all legal actions relating to GEPS, including the freezing of bank accounts; and

(x) any funds belonging to GEPS are to be controlled by GEPS in accordance with its constating documents and operating agreements.

In addition, on November 19, 1997, GEPS (with the concurrence of GCP and First Dynasty) sent a notice to Pertamina irrevocably cancelling any power of authority which had previously been purportedly delegated to Bulbul Salim.

The Company, having re-established management control of GEPS on November 25, 1997, has obtained repayment from GEPS of intercorporate loans in the aggregate amount of $10.3 million. The costs incurred by the Company in re-establishing control of GEPS were approximately $2 million. The Company is providing EEI with full access to the documents and financial records required by EEI to complete its due diligence in respect of EPS and GEPS with a view to completing the purchase and sale of EPS.

On January 15, 1998, the Company and EEI entered into a definitive agreement for the purchase and sale of EPS. The definitive agreement supersedes the March 1997 preliminary agreement, which contemplated an effective date for financial purposes, of January 1, 1997. Financial adjustments under the definitive agreement will be made as of January 1, 1998.

The terms of the sale provide for a cash payment of $23 million and a reimbursement of working capital. A separate agreement to sell the Company's drill rig, currently in storage in Singapore, for $3 million was concluded at the same time. The total proceeds from these sales, less transaction costs, is estimated to be $26 million. EEI is entitled to all cash flow and working capital which accrues to EPS from January 1, 1998 to closing.

Closing of the sale was scheduled for the later of April 30, 1998 or thirty days after completion of audited consolidated financial statements of EPS for the fiscal year ended December 31, 1997. Prior to the outbreak of civil unrest in Indonesia, closing of the sale was anticipated for the end of June 1998. However, the current political instability of Indonesia could delay closing until some indeterminate time in the future. Closing is contingent upon completion of due diligence, EEI financing for the transaction and receipt of all necessary regulatory, stock exchange and other approvals. There is no assurance that all conditions precedent to the sale will be completed in a timely manner or at all.

Description of Sembakung Oil Field

The Sembakung Oil Field is located in northeast Kalimantan (the Indonesian portion of the island of Borneo), approximately 80 kilometres from Tarakan Island (off the coast of Northeast Kalimantan). The Sembakung Oil Field has a surface area of approximately 8.8 square kilometres (2,200 acres) situated within the contract area which is 23.4 square kilometres (5,780 acres). GEPS maintains a field office camp at the Sembakung Oil Field. Surface facilities include wellheads, flowlines, separators, pumps and treaters, as well as tugboats and barges.

The Sembakung Field is located on the northwestern edge of the Tertiary Tarakun Basin. The field has both oil and gas accumulations trapped within a faulted anticline. The producing formulation is the Late Miocene Tabul Formation which unconformably overlies the Middle Miocene Meliat Formation. During the Middle Miocene, thick delta complexes resulted from the uplift of the Kalimantan landmass to the west. These deltaic sandstones are the hydrocarbon reservoirs in the Pamusian, Bunya and Sembakung fields. The Tarakan basin has all of the criteria necessary for the presence of oil and gas: reservoirs, seals, source rocks and high geothermal gradient.

The Sembakung Oil Field consists of 19 wells, of which 17 are operational and the remaining two abandoned, based on the last information received by GEPS.

Sembakung well production flows to a central battery. A system of boardwalks, with traffic limited to motorcycles, permits access to wells amidst the marshy terrain. Gas production is either flared or distributed for fuel. Produced water is disposed of into the surrounding swamp. Oil production is treated by two heater/treaters which have a capacity of 8,000 BOPD each. After treatment, oil flows to the loading manifold at the export jetty on the Itai River. Two supply barges and two tugboats shuttle the crude oil to the Bunyu Island terminal which is a 12-hour one way trip.

The Sembakung Oil Field was discovered in 1975 by Atlantic Richfield Indonesia Inc. ("Arco"). Between 1975 and 1981, 19 wells were drilled by Arco to delineate the field. The Sembakung Oil Field was taken over in 1984 and operated by Pertamina until operations were assumed by GEPS in May, 1994. The first field started production in 1977 and achieved a peak production rate of 10,500 BOPD from four wells at the end of 1977. The field produced by natural flow until October, 1983 when jet pumps were installed on most wells. There have been no wells drilled on the Sembakung Oil Field in the last twelve years.

As the Sembakung Oil Field is being developed under a combination of solution gas drive and gravity drainage, the pressure in the reservoir is decreasing as oil, gas and water are produced. As the pressure declines, so does the rate at which the oil is produced at each well. To enhance a oil recovery, a source of secondary energy must be put into the reservoir to help move the oil to the well bore.

The Company's plan for Sembakung at the time of the acquisition was to increase production from the then current rate of 2,800 barrels of oil per day (BOPD) to 14,000 BOPD by recapitalizing the field and then entering into a secondary recovery program using water-flood technology. Oil production was successfully increased to 4,300 BOPD by March, 1996. Attaining this increased production required cash injections by the Company of approximately $27 million since the date of acquisition. The planned second stage of the expansion program is expected to require substantial additional investment for wellfield drilling and waterflooding to increase production to the planned level of 14,000 BOPD.

Unexpected delays throughout 1995 and 1996 hampered EPS' progress in implementing its development program for the Sembakung Oil Field. The infill well drilling program was delayed by a full year because of a shortage of a suitable drilling rig, delays in obtaining construction permits and a decision to complete certain reservoir studies to ascertain the optimum recovery program for the field. In order to expedite the commencement of the drilling program, the Company purchased a rig and related equipment with the expectation that the total cost of the rig and equipment and related expenses would be recovered. No agreement has been reached to commission the drill rig, which has an asset value on the Company's books of $5 million. The Company's efforts to effectively operate the project have been more difficult then anticipated, resulting in delays in decision making and preparation of management and financial reports, high staff turnover, and problems exercising day to day control. These factors have prevented the effective implementation of the second stage recovery program.

Estimates of proven and probable reserves in respect of the Sembakung Oil Field as at December 31, 1995 and December 31, 1994 are disclosed in the Company's Annual Information Form dated May 17, 1996. Bulbul Salim, a director and indirect minority shareholder of GEPS, unlawfully prevented the Company's authorized personnel in Indonesia from exercising management control of GEPS and the Sembakung Oil Field project and denied the Company's technical consultants access to the project records necessary to prepare updated reserve estimates for the years ended December 31, 1996 and December 31, 1997. As a result, the Company is unable to provide in this Annual Information Form reliable estimates of the reserves remaining in respect of the Sembakung Oil Field project as at December 31, 1996 and December 31, 1997, nor to reconcile remaining reserves to the reserve estimates in respect of prior years disclosed in the Company's 1996 Annual Information Form.

Terms of The Technical Assistance Contract

The TAC was entered into on December 22, 1993 by Pertamina and GCP. The TAC takes the form of a "Production Sharing Contract" in accordance with Law No. 44 Prp/1960 and Law No. 8/1971 of the Republic of Indonesia. Under the TAC, GCP was designated as Contractor and is responsible for the financial and technical assistance in respect of the operations of the Sembakung Oil Field. The term of the TAC is for 20 years. Pursuant to an assignment and consent from Pertamina dated February 24, 1994, GCP assigned all of its rights and obligations under the TAC to GEPS and GEPS became the Contractor under the TAC.

Total production of oil under the TAC is divided into Non-Shareable and Shareable Oil. Pertamina and GEPS have specified an annual amount of crude oil production from the field which Pertamina will receive as Non-Shareable Oil. The Non-Shareable Oil is based on an agreed decline rate of 14.3% applied to an initial rate of 2,794 BOPD as of May 1, 1994. Pertamina also will pay the share of operating costs attributable to this Non-Shareable Oil directly to GEPS. GEPS will recover the remaining allowable costs from the revenue derived from up to 80% of the remaining oil, which is the Shareable Oil under the TAC. Pertamina allows as recoverable costs field operating expenses, overhead charges, current year intangible drilling costs, accelerated depreciation of fixed assets, interest charges, current year intangible drilling costs, accelerated depreciation of fixed assets, interest charges and costs carried forward from prior years. The oil left after deduction of Pertamina's Non-Shareable Oil and all allowable costs is then divided between Pertamina (71.1538%) and GEPS (28.8462%). Apart from production from the Sembakung Oil Field, no rights in respect of oil production or exploration and development have been granted to EPS under the TAC.

Under the terms of the TAC, GEPS is responsible for carrying out Petroleum Operations, which includes providing all the financial and technical assistance for operations. This requires GEPS to assume all of Pertamina's ongoing contractual commitments to third parties, carry out development programs in respect of current work programs for the Sembakung Oil Field, advance necessary financing for completion and performance of such development programs, furnish all technical aid, including foreign personnel, and provide for the industrial training of Indonesian personnel.

Under the terms of the TAC, GEPS is obligated to spend $34,000,000 on Petroleum Operations: $6,000,000 per year in the first four years and $5,000,000 per year in the following two years. Pertamina retains responsibility for management of the operations on the Sembakung Oil Field and agrees to share production from the field with GEPS (although Pertamina retains title to all original geological and engineering data). Under the TAC, Pertamina is responsible for all Indonesian taxes except for the obligations of GEPS to pay income tax and final tax on its own profits. In addition, Pertamina is responsible for providing facilities and supplies in respect of the Work Programs (for which GEPS must pay $75,000 annually before each Work Program).

The Domestic Market Obligation under the TAC requires GEPS to sell and deliver to Pertamina a portion of the Contractor's share of Shareable Oil (based upon GEPS's pro rata share of domestic oil production) up to a maximum of approximately 7% of the total quantity of Crude Oil produced from the Contract Area each year. Crude Oil pursuant to the Domestic Market Obligation is sold at a discounted price equal to 85% of the prevailing net realized price F.O.B. Point of Export. However, for five years commencing from the date of first commercial production from the Contract Area under the TAC, the price per barrel of Crude Oil supplied to the Indonesian domestic market is equal to the net price F.O.B. Point of Export received by GEPS.

The TAC provides that GEPS may recover, in the same year expended, an investment credit amounting to 17% of the capital investment costs directly required for developing crude oil production facilities. The investment credit is a deduction from gross production before recovering operating costs, commencing in the earliest production year before tax deduction. The full 100% of the same capital investment is then also fully deductible through depreciation.

Production from the Sembakung Oil Field is currently marketed by Pertamina at a price established monthly by Pertamina for all similar operators in Indonesia. For small firms such as GEPS, which does not currently have the large staff and marketing expertise that the international crude oil market demands, this method is the most attractive. Pertamina sets the price, adjusted for oil quality, and pays the Contractor on a monthly basis. The oil price for the current month is posted at the end of each month and is based upon a basket of selected products which closely track major world indices.

Under the TAC, if GEPS does not exercise its option to have Pertamina market oil from the Sembakung Oil Field, GEPS is obligated to use best reasonable efforts to market such oil. Subject to the terms of the TAC, all Crude Oil taken by GEPS (including its share and the share for the recovery of operating costs and investment credit) and sold to third parties is valued at the net realized price F.O.B. Point of Export for such Crude Oil. All of Pertamina's Crude Oil taken by GEPS and sold to third parties is also valued at the net realized price F.O.B. Point of Export received by GEPS for such Crude Oil. The TAC contains provisions for Pertamina to market its share of the oil if it can market such oil at a better price. The TAC also contains provisions which permit Pertamina to take over responsibility for marketing if production of Crude Oil is below a certain level.

The TAC may not be terminated during its 20 year term by Pertamina or GEPS during the first three years, or by Pertamina thereafter, unless there is a material breach of its terms by the other party. At any time following the end of the third year from the commencement of the TAC, GEPS may terminate by notice and upon relinquishing its rights and obligations under the TAC arising thereafter.

Terms of the Joint Venture Agreement

A joint venture agreement dated November 16, 1993 (the "GEPS Joint Venture Agreement") was entered into by EPS and GCP to provide for the incorporation of the joint venture company GEPS and the assignment by GCP to GEPS of the TAC. Pursuant to this assignment, GEPS is responsible for financing, managing and development of the Sembakung Oil Field and is entitled to all rights and benefits of the Contractor under the TAC.

The GEPS Joint Venture Agreement provides that, as of March 1, 1994, GCP owns a 20% interest in GEPS and EPS owns an 80% interest in GEPS and any distribution of profits will be made on the basis of the existing shareholders in GEPS.

Under the terms of the GEPS Joint Venture Agreement, EPS paid GCP $30,000 for reimbursement of overhead expenses at the time the TAC was assigned to GEPS. In consideration of GCP assigning the TAC exclusively to GEPS, GCP was entitled, pursuant to the GEPS Joint Venture Agreement, to a further payment of $2,000,000, which amount was paid to GCP as of the closing of the acquisition of EPS by the Company on March 29, 1995. GCP also receives monthly payments of $15,000. The current board of directors of GEPS consists of four representatives of EPS and two representatives of GCP. The votes of the GEPS directors appointed by EPS carry 80% of the votes of directors in respect of resolutions of the board of GEPS.

RISK FACTORS

Resource exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines or wells. The long-term profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors, including, among other things:

Indonesian Political and Economic Factors

In early 1998, Indonesia and much of the Southeast Asia region experienced a severe economic crisis, the effects of which continue to reverberate throughout all sectors of Indonesia's economy. The economic hardships brought about by the crisis have created an atmosphere of serious political and social unrest characterized by violence, rioting and looting in Jakarta and other Indonesian urban centres. This unrest has been met by a strong police and military crackdown.

Over the past thirty years, the government of Indonesia has been headed by President Suharto. In the wake of the recent economic crisis, public opinion in Indonesia strongly favours a change in government and much of the rioting in Jakarta and elsewhere stems from demonstrations and protests calling for Suharto's resignation. On May 19, 1998, Suharto announced that he would step down as President of Indonesia after introducing political reforms and holding parliamentary elections. It is uncertain how long the process of introducing political reforms and holding parliamentary elections will take or when a change in government will occur in Indonesia. When there is a change in government in Indonesia, there can be no assurance that such change will occur in accordance with the procedures currently envisaged or otherwise in a peaceful and orderly manner.

Significant changes in the government's policies and Indonesia's political environment could occur after, or in conjunction with, a change in government which could result in sustained political and economic instability in Indonesia. All of these factors pose serious risks for foreign investors, including the Company.

Uncertainty Involving Sale of EPS

The Company has an agreement to sell the shares of EPS to EEI. Closing of the transaction has been repeatedly postponed due to difficulties experienced by the Company in providing due diligence access to EEI as a result of the actions of a former rogue director of EPS' 80% subsidiary, GEPS. Although access was provided after the Company re-established management control of GEPS, negotiations remain ongoing among representatives of the Company, EEI and Pertamina to normalize business relations, which were disrupted during the period in which the Company had lost management control of GEPS, and to facilitate the closing of the sale of EPS to EEI. There can be no assurance that these negotiations will be concluded successfully and in a timely manner, particularly in view of the current social and political turmoil in Jakarta and other Indonesian urban centres which has totally disrupted normal commercial activity in those places.

The obligation of EEI to complete the purchase of EPS is subject to EEI obtaining adequate financing. EEI's ability to raise financing could be adversely affected by a number of factors, including the currently unstable political and economic situation in Indonesia, delays in successfully completing negotiations among the Company, EEI and Pertamina and other factors affecting North American capital markets for junior resource companies. Although operations at the Sembakung Oil Field have not been significantly affected by recent events in Jakarta, it appears likely that the current disruption in normal business activity in Jakarta will delay the Company's efforts to advance the proposed sale of EPS to completion and necessitate a further postponement of the closing date currently scheduled for the end of June, 1998.

If the contemplated sale of EPS to EEI cannot be completed there is no assurance that the Company will be able to successfully negotiate and complete a sale of EPS to a third party on the same terms or at all. Failure by the Company to sell its interest in EPS in a timely manner is likely to have a significantly adverse impact on the Company's financial position and its ability to continue investing in its core mining business.

Limited Revenue, Negative Cash Flow, Losses

Other than revenues anticipated from the sale of gold processed at the Ararat tailings plant, the Company has no source of material revenue and has operated at a loss for a significant period of time. There can be no assurance that the Company, as a whole, will operate profitably.

Need for Additional Financing

Unless and until ongoing feasibility studies in respect of certain of the Company's projects identify commercial quantities of ore, none of the Company's mineral properties contain a presently confirmed economic and commercially mineable ore deposit. In order to carry out exploration and development programs on any economic ore body and to place it into commercial production, the Company must continue to raise substantial additional funding. The Company's exclusive rights to invest in First Dynasty Mines Armenia Limited and its Armenian mining projects are dependent upon the Company advancing sufficient funding to enable First Dynasty Mines Armenia Limited to meet its joint venture obligations as they fall due and the Company's failure to do so may result in a forfeiture of such rights.

The Company has very limited financial resources and there is no assurance that the Company will be able to secure the financing necessary to meet its expenditure obligations in respect of its properties and projects or to continue the exploration and development of its mineral resource properties nor any assurance that such financing will be obtained on terms favourable to the Company. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future. Recent events in Canadian equity markets have adversely affected the access of junior mineral resource companies to equity financing and may impact the Company's ability to raise additional capital in the future. Failure to obtain adequate financing could result in significant delays in exploration and development programs or defaults under material agreements which could result in the Company's forfeiting its rights on material properties and substantial curtailment of operations.

The Company has outstanding indebtedness of approximately US$24.25 million, of which US$5 million is to be converted into Common Shares, subject to approval by the shareholders of the Company. The bulk of the remaining indebtedness is due to be repaid upon the completion of the sale of EPS or by August 31, 1998, whichever is earlier. If the Company is unsuccessful in completing the sale of EPS by August 31, 1998, there is no assurance that the Company will be able to obtain, on favourable terms or at all, the funding necessary to meet its loan repayment obligations and to maintain sufficient working capital to continue its operations. If the Company is unable to meet its loan repayment obligations as they fall due, the Company's assets may become subject to realization proceedings by secured creditors and the Company may be forced to seek protection from its creditors under applicable Canadian insolvency legislation and to substantially curtail its operations.

Absence of Operating History; Commercial Viability

Other than revenues anticipated from the sale of gold processed at the Ararat tailings plant, the Company has not yet commenced commercial production on any of its mineral resource properties and has no sustained history of earnings or cash flow from mineral resource operations. If the Company proceeds to production on a particular property, commercial viability will be affected by factors that are beyond the Company's control, including the particular attributes of the deposit, the fluctuation in metal prices, the costs of constructing and operating a mine, processing and refining facilities, the availability of economic sources of energy, government regulations including regulations relating to prices, royalties, restrictions on production, quotas on exploration of minerals, as well as the costs of protection of the environment and agricultural lands.

Uncertainty Involving Oil Reserves

Material changes in oil reserves or well productivity may adversely affect the economic viability of the Sembakung Oil Field which could adversely affect the Company's ability to sell its interest in EPS at a particular price or at all. Estimates of reserves can be affected by such factors as environmental factors, regulations and requirements, weather, unforseen technical difficulties, unusual or unexpected geological formations and work interruptions. Estimates of reserves may vary materially from the quantities of oil and gas actually recovered and the net revenues received upon the sale thereof.

Oil Price Volatility

In the past, oil and gas prices and markets have been volatile and, at present, oil prices and markets are relatively weak. Prices are subject to wide fluctuations in response to changes in supply of and demand for oil and gas, market uncertainty and a variety of additional factors which are beyond the control of the Company. Such factors include political conditions, weather conditions, government regulations, the price and availability of alternative fuels and overall economic conditions, any or all of which could adversely affect the Company's ability to sell its interest in EPS.

Oil and Gas Industry Operational Hazards, Environmental Concerns and Insurance

The oil and gas industry entails a number of operating risks, such as the risks of fire, blowouts, explosions, cratering, pipe failure, casing collapse and abnormally pressured formations, the occurrence of any of which could materially and adversely affect the Company for as long as it continues to own EPS. The business is also subject to environmental hazards including oil spills, gas leaks, ruptures and discharges of toxic gases, which could expose GEPS to substantial liability due to environmental damage. GEPS maintains insurance against some, but not all, potential operational risks relating to the Sembakung Oil Field. There can be no assurance that the insurance carried will be adequate to cover any loss or exposure to liability, or that such insurance will continue to be available on acceptable terms.

Uncertainty of Mineral Reserves; Estimates of Mineral Deposits

There is no certainty that any expenditures made in the exploration of the Company's mineral properties will result in discoveries of commercial quantities of ore. Most exploration projects do not result in the discovery of commercially mineable deposits of ore and no assurance can be given that any particular level of recovery of gold from ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable ore body which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that gold recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project. Ore reserves are reported as general indicators of mine life. Reserves should not be interpreted as assurance of mine life or of the profitability of current or future operations. While the Company believes that the reserve and resource estimates that form the basis for the ongoing feasibility studies in respect of the Armenian mining projects of First Dynasty Mines Armenia Limited are reasonable, such estimates have not been independently verified by the Company. No assurance can be given that any such estimates are accurate nor that any inaccuracy will not adversely affect the feasibility of some or all of the Armenian mining projects.

Mineral Price Volatility

The price of gold has experienced volatile and significant price movements over short periods of time and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the US dollar relative to other currencies), interest rates and global or regional consumption patterns (such as the development of gold currencies or gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions including South Africa and Russia, and governmental policies with respect to gold holdings by a nation or its citizens. The market price of gold is, at present, relatively weak and sustained weakness in the market price of gold may adversely affect the economic viability of some or all of the Company's mineral resource projects and make it more difficult for junior mineral resource companies such as the Company to raise equity or debt financing.

Mining Operational Hazards, Environmental Concerns and Insurance Risks

The business of mining is subject to a variety of risks, such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences may delay development or production, increase production costs or result in liability. The Company may not be able to insure fully or at all against such risks, due to political or other reasons, or the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons.

Mining Exploration Programs

The Company is seeking to grow through exploration of its existing properties as well as through acquisitions of interests in new properties in the late exploration stage or of interests in companies which own such properties. Substantial expenditures will be incurred in an attempt to establish the economic feasibility of mining operations by identifying mineral deposits and establishing ore reserves through drilling and other techniques, developing metallurgical processes to extract metals from ore, designing facilities and planning mining operations. There can be no assurance that existing or future exploration programs or acquisitions will result in the identification of deposits which can be mined profitably.

Competition

The Company competes with major mining companies and other smaller natural resource companies in the acquisition, exploration, financing and development of new properties and projects. Some of these companies are more experienced, larger and better capitalized than the Company. The Company's competitive position will depend upon its ability to successfully and economically explore, acquire and develop new and existing mineral resource properties or projects. Factors which allow producers to remain competitive in the market over the long term are the quality and size of the ore body, cost of production, and proximity to market.

Significant and increasing competition exists for the limited number of gold property acquisition opportunities available in Asia. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive gold mining properties on terms it considers acceptable.

Foreign Operations

The Company's activities will be subject to risks common to foreign operations in the mining and oil and gas industries, including political and economic uncertainties, the risks of cancellation and unilateral modification of contract rights, operating restrictions, currency repatriation restrictions, expropriation, export restrictions, increased taxes, environmental regulation, mine safety and other increased taxes, environmental regulation, mine safety and other risks arising out of foreign governmental sovereignty over areas in which the Company's proposed operations will be conducted.

Economic Sanctions

On May 20, 1997, the President of the United States issued an Executive Order to the Congress of the United States prohibiting new investment in Myanmar by United States persons, including United States companies, citizens and permanent residents. The sanctions were imposed based on the United States government's belief that the current government of Myanmar has repressed the democratic opposition to such government after September 30, 1996. While the executive order does not prohibit current investments in Myanmar or expressly affect non-United States investors, there can be no assurances that the sanctions, or any regulations, orders, directives or laws adopted thereunder, will not be broadened or that other countries, will not adopt sanctions in the future. It is not possible to determine whether the existence of the United States sanctions, international reaction to such sanctions, or any legislation enacted in the United States pursuant to the Executive Order will ultimately affect the Company or investment in the Company.

On August 7, 1997, the Minister of Foreign Affairs for Canada announced actions against Myanmar, including selective economic measures. The announcement indicated the withdrawal of Myanmar's eligibility for the general preferential tariff and the placing of Myanmar on the area control list, requiring all exports from Canada to Myanmar to have an export permit. It is not possible to determine whether the existence of these Canadian sanctions, or additional sanctions once imposed, international reaction to such sanctions or any legislation enacted in Canada in furtherance of such sanctions will ultimately affect the Company or investment in the Company.

Armenian Political and Economic Factors

The Company's ability to carry on business in Armenia, through First Dynasty Mines Armenia Limited, may be adversely affected by political, economic and social factors in Armenia which are beyond the Company's control. Armenia is a former Soviet republic that is making the transition from a state-controlled economy to a market economy. This transition may give rise to economic uncertainty and potentially adverse developments in Armenia which may hinder or prevent the Company's ability to carry on business. There is civil unrest in parts of the Armenian frontier and border disputes over territories in regions adjacent to Azerbaijan, any or all of which may hamper or preclude the ability of First Dynasty Mines Armenia Limited to carry out its project activities in areas affected, particularly in the area around the Zod mine which is close to a zone which has, in the past, been the subject of hostilities between Armenia and Azerbaijan.

The Company's recently negotiated joint venture arrangements with the government of Armenia in respect of the proposed re-development of the Zod and Meghradzor mines remain subject to ratification by the government. Although the Company expects the government to ratify the arrangements, as negotiated, there can be no assurance that such ratification will occur in a timely manner, or at all, nor that such ratification will not be subject to amendments stipulated by the government that could adversely affect the Company's interest in the joint venture.

The regulatory environment in Armenia is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Operations may also be affected in varying degrees of economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation. It may be more difficult for the Company to obtain any required project financing in Armenia from senior lending institutions because such lending institutions may not be willing to finance projects in developing countries due to the possible investment risk.

Requirement for Permits and Licenses

The current and future operations of the Company, including exploration and development activities of its respective properties, require permits from various federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

The Company believes that it presently holds or has applied for all necessary licenses and permits to carry on with activities which it is currently conducting under applicable laws and regulations in respect of its properties, and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operation circumstances. There can be no guarantee that the Company will be able to obtain all necessary licenses and permits that may be required to commence construction or operation of mining facilities at properties under exploration or to maintain continued operations at economically justifiable costs. Amendments to current laws, regulations and permits governing operations and activities of mining companies or more stringent implementation thereof could require increases in capital expenditures or production costs or reduction in levels of production and producing properties, or require delay or abandonment of the development of new mining properties.

Currency Fluctuations

The Company maintains its accounts in United States dollars. If, and to the extent that, the Company's operations in Armenia, Indonesia, Myanmar or elsewhere require the Company to transact in foreign currencies, the Company may be subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results.

Title Matters

While the Company has investigated title to its properties and, to the best of its knowledge, title to all of its properties is in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. The validity of unpatented mining claims is often uncertain and may be contested. In accordance with mining industry practice, the Company has attempted to acquire satisfactory title to its properties but does not obtain title insurance unless required for financing purposes, with the attendant risk that some titles, particularly titles to undeveloped properties, may be defective. The Zod mine in eastern Armenia, which is to form an integral part of the Company's joint venture arrangements through First Dynasty Mines Armenia Limited, is located on territory that is the subject of a border dispute between Armenia and Azerbaijan. Although the Company believes that the Zod mine is within Armenian territory and that the claims to the disputed territory made by Azerbaijan are without merit, there can be no assurance that the border dispute will not be resolved in a manner adverse to the interests of First Dynasty Mines Armenia Limited and those of the Company nor that a lack of resolution will not adversely affect the future development and operation of the Zod mine.

Performance Requirements

The Company has entered, and from time to time may enter, into agreements directly with the governments or governmental agencies of a foreign country. Such agreements generally contain dates by which certain obligations must be met. The failure to meet or satisfy such obligations may result in the termination of certain exclusive permissions granted therein to the Company. There is no guarantee that all such obligations will be met on a timely basis or that extension of time by which such obligations are required to be fulfilled will be obtained.

Conflicts of Interest

Certain of the directors of the Company are also directors, officers and shareholders of other natural resource companies. Such directors and officers have been advised of their fiduciary obligations to the Company and its shareholders. Conflicts may arise, however, between the obligations of these directors and officers to the Company and to such other natural resource companies. The Company's constating documents require all material transactions between the Company and its affiliates to be approved by a majority of the Company's disinterested directors. Any decision made by any of such directors and officers involving the Company are made in accordance with their duties and obligations to deal fairly and in good faith with the Company. In addition, each of the directors of the Company must disclose, and refrain from voting on, any matter in which such directors may have a conflict of interest. Management believes that the terms of all transactions which the Company has entered into under these circumstances are at least as favourable to the Company as would have been obtained if the transactions had been entered into with unrelated parties.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table shows selected financial information related to the Company for the periods indicated:

Selected Annual Information

	Year ended December 31				
	1997	1996	1995	1994	1993[1]
Revenues	127,000[2]	11,256,000	2,911,000	83,000	-
Total Assets	67,617,000	53,018,000	67,467,000	7,282,000	879,000
Long-term debt[3]	-	-	1,650,000	1,900,000	1,650,000
Net earnings (loss)	(14,653,000)	(33,076,000)	(6,188,000)	(999,000)	(602,000)
Net earnings (loss) per share[4]	(0.29)	(0.69)	(0.16)	(0.05)	(0.03)

(1) On August 11, 1994 the Company was the subject of a reverse takeover by the shareholders of NMM pursuant to which NMM became a wholly-owned subsidiary of the Company and the former shareholders of NMM assumed voting control of the Company. For accounting purposes, historical financial information prior to August 11, 1994 in the above table relates to NMM, the acquiror in the reverse takeover.

(2) Represents interest received.

(3) Includes current portion of long-term debt

(4) Fully diluted earnings per share have not been presented as they would not be materially dilutive.

Selected consolidated financial information for the last eight quarters is as follows:

Selected Quarterly Information

	1997				**1996**			
	Dec. 31	**Sept. 30**	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**
Total Revenue	127,000[1]	-	-	-	1,550,000	3,882,000	2,683,000	3,141,000
Net Earnings (loss)	(7,467,000)	(2,291,000)	(2,851,000)	(2,044,000)	(29,510,000)	(1,361,000)	(1,375,000)	(830,000)
Earnings (loss) per share[2]	(0.14)	(0.05)	(0.06)	(0.04)	(0.61)	(0.03)	(0.03)	(0.02)

(5) Represents interest received.

(6) Fully diluted earnings per share have not been presented as they would not be materially dilutive.

DIVIDEND POLICY AND RECORD

The Company has not paid any dividends on its outstanding common shares since its inception and does not anticipate that it will do so in the foreseeable future. The declaration of dividends on the common shares of the Company is within the discretion of the Company's board of directors and will depend upon the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of the Company. At the present time, the Company's anticipated capital requirements are such that it intends to follow a policy of retaining earnings in order to finance further development of its business.

The Company is limited in its ability to pay dividends on its common shares by limitations under the *Business Corporations Act* (Yukon) relating to the sufficiency of profits from which dividends may be paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The section of the Company's 1997 Annual Report entitled "Management's Discussion and Analyses" is herein incorporated by reference.

MARKET FOR SECURITIES

The common shares in the capital of the Company are traded on the Toronto Stock Exchange and the NASDAQ National Market System.

The following sets forth the high and low market prices and the volume of the common shares traded on the Toronto Stock Exchange during the periods indicated:

(stated in Canadian dollars)

PERIOD	**HIGH ($)**	**LOW ($)**	**VOLUME**
Quarter ended June 30, 1996	11.12	7.37	10,510,677
Quarter ended September 30, 1996	7.87	4.25	4,379,657
Quarter ended December 31, 1996	4.50	3.15	7,047,141
Quarter ended March 31, 1997	5.00	2.85	6,194,949
Quarter ended June 30, 1997	3.75	1.03	2,801,057
Quarter ended September 30, 1997	1.75	0.85	2,886,276

PERIOD	HIGH ($)	LOW ($)	VOLUME
Quarter ended December 31, 1997	1.45	0.30	9,364,321
January 1 - 31, 1998	0.60	0.46	654,217
February 1 - 28, 1998	0.55	0.37	391,720
March 1 - 31, 1998	0.45	0.36	2,292,232
April 1 - 30, 1998	0.51	0.35	555,762
May 1 - 15, 1998	0.44	0.30	414,300

The price of the Common Shares as reported by the Toronto Stock Exchange at the close of business on May 15, 1998 was Cdn.$0.35 per share and on the NASDAQ National Market ("NASDAQ") at the close of business on May 15, 1998 was $15/64 per share.

DIRECTORS AND OFFICERS

The following table provides the names of all directors and executive officers of the Company, their positions and terms of office and their principal occupations during the past five years. Directors are elected for one year terms or until their successors have been duly elected or appointed. Officers serve at the pleasure of the Board of Directors.

Name and municipality of residence	Position with Company	Principal Occupation During Past Five Years
MARCUS P. RANDOLPH Singapore	President and Chief Executive Officer and Director (since May, 1996)	Director of Armada Gold Corporation, June, 1996 to present; Mining and Metals Executive at Rio Tinto PLC, June, 1993 to May, 1996; Director of Acquisitions and Strategic Planning of Kennecott Corporation, May, 1990 to June, 1993.
MYRON A. GOLDSTEIN Morrison, Colorado	Director (since May, 1996)	Manager, Non-African Exploration of DiamondWorks Ltd., January, 1998 to present; Chief Operating Officer and Director of DiamondWorks Ltd., June, 1995 to December, 1997; Independent Mining Consultant, November, 1994 to June, 1995; Director of International Exploration for Lac Minerals Ltd., March, 1994 to November, 1994; self-employed consultant, January, 1993 to March, 1994.
BEVERLY D. DOWNING North Vancouver, British Columbia	Secretary and Director (since July, 1994)	Vice-President of Ivanhoe Capital Corporation, January, 1993 to present; Corporate Secretary of Black Sea Energy Ltd., May, 1996 to present; Corporate Secretary of Indochina Goldfields Ltd., March, 1994 to present; Director and Corporate Secretary of DiamondWorks Ltd., April, 1993 to present; Director and

Name and municipality of residence	Position with Company	Principal Occupation During Past Five Years
		Secretary of the Company, July, 1994 to present; Corporate Secretary of Diamond Fields Resources Inc., September, 1993 to December, 1995.
RAMON A. RECTO Manila, Philippines	Director (since June, 1996)	Chairman of Supply Oilfield Services Inc., May, 1993 to present.
JONATHAN CHALLIS London, England	Director (since May, 1997)	Senior Vice-President of Ivanhoe Capital Corporation, March, 1997 to present; Senior Vice-President and Director of Mining at C.M. Oliver & Co. Ltd., May, 1994 to February, 1997; Vice-President/Mining Analyst at ScotiaMcLeod Inc., July, 1987 to May, 1994.
DEREK FISHER Perth, Australia	Director (since May, 1997)	President of Armada Gold Corporation, 1993 to present.
ANDREW MOONEY Singapore	Chief Financial Officer (since February 1998)	Financial Controller, Ivanhoe Capital PTE Ltd., March, 1996 to present; Finance and Administration Manager, Bong Mieu Gold Mining Company, October, 1994 to February, 1996; Financial Controller, Allardyce Lumber Company; prior thereto, Financial Accountant, Schwarzkopf Pty. Ltd.
JOHN DEREK LEWINS Singapore	Senior Vice President - Engineering & Construction (since September, 1996)	Senior Vice President - Engineering and Construction of the Company since September, 1996; Vice-President, Engineering and Construction of Armada Gold Corporation since October, 1996; General Manager of McArthur River Mining Pty Ltd., from April, 1995 to September, 1996; prior thereto, Acting General Manager Carpenaria Gold from January, 1994 to December, 1995; Manager Operations of MIM Holdings from 1988 to 1995.
GORDON F. LISTER Singapore	Senior Vice President - Corporate Development (since November, 1996)	Senior Vice-President, Corporate Development of the Company since November, 1996; Vice-President, Corporate Development of Armada Gold Corporation from October, 1996 to June, 1997; prior thereto, Director of Business Development, Kennecott Corporation.

Each of the Company's directors was elected at the annual general meeting held on June 25, 1997. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

Shareholdings of Directors and Senior Officers

As at May 15, 1998, the directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 127,666 common shares of the Company, representing 0.0023% of the outstanding common shares of the Company.

Committees of the Board

The current committees of the Board are as follows:

Audit Committee:	Myron Goldstein (Chairman), Ramon Recto, Jonathan Challis
Executive Committee:	The Board of the Company
Compensation Committee:	The Board of the Company

ADDITIONAL INFORMATION

The Company shall provide to any person, upon request to the secretary of the Company:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus that has been filed in respect of a distribution of its securities,

(i) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,

(ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year,

(iii) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in (1)(a)(i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and interests of insiders in material transactions is contained in the information circular for the annual general meeting of the Company to be held on June 25, 1998.

Additional financial information is contained in the annual report for the year ended December 31, 1997, which includes the Company's comparative financial statements for such year end. Copies of the information circular and the annual report may be obtained upon request from the Company at its administrative office in Vancouver, British Columbia.

GLOSSARY AND ABBREVIATIONS

(7) Terms Relating to Oil and Gas Properties

"Barrel" or "Bbl" means a stock tank barrel (stb), which is a quantity or unit of oil equal to forty two United States gallons at the temperature of sixty degrees Fahrenheit;

"BOPD" means barrels of oil per day;

"Contractor" means Genindo EPS Petroleum Ltd., the contractor designated under the TAC;

"Crude Oil" means crude mineral oil, asphalt, ozokerite and all kinds of hydrocarbons and bitumens, both in solid and in liquid form, in their natural state or obtained from Natural Gas by condensation or extraction;

"Domestic Market Obligation" means the defined term under the TAC which refers to the rights of Pertamina to take a pre-determined share of the Contractor's share of Shareable Oil under the TAC at a pre-determined discount to market price to supply Crude Oil in Indonesia;

"Non-Shareable Oil" means Crude Oil produced and saved by the Contractor under the TAC from the Contract Area which is not subject to sharing as defined in the TAC;

"Pertamina" means Perusahaan Pertambangan Minyak Dan Gas Bumi Negara, the Indonesia government mineral, oil and gas company;

"Petroleum Operations" means, under the terms of the TAC, development, extraction, production, exploitation, transportation and marketing operations authorized or contemplated under the TAC;

"Point of Export" means, for oil produced by GEPS from the Sembakung Oil Field, the inlet flange of the loading arm after final sales meter at Bunyu Island;

"Sembakung Oil Field" means the oil field located in Northeast Kalimantan, Indonesia that is the subject of the TAC;

"Shareable Oil" means Crude Oil produced and saved from the Contract Area other than Non-Shareable Oil;

"TAC" means the Technical Assistance Contract dated December 22, 1993 between Pertamina and P.T. Genindo Citra Perkasa and assigned to Genindo EPS Petroleum Ltd. on May 18, 1994; and

"Work Program" means a statement itemizing the Petroleum Operations to be carried out in the Contract Area as set forth under the TAC.

(8) Terms Relating to Mineral Properties

"gm/mt" means gram of gold per tonne.

"Ha." mens hectare.

"Ounce (oz.)" means a troy ounce.

"Oz./t" means an ounce of gold per ton.

"Possible Reserves (inferred reserves)" means mineralization for which quantitative estimates are based largely on broad knowledge of the geological character of the deposit and for which there are few, if any, samples or measurements, and for which the estimates are based on an assumed continuity or repetition for which there are reasonable geological indications.

"Probable Reserves (indicated reserves)" means mineralization for which tonnage and grade are computed partly from specific measurements, samples or production data, and partly from projection for a reasonable distance based on geological evidence, and for which the sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

"Proven Reserves (measured reserves)" means mineralization for which the tonnage and grade have been computed from dimensions revealed in outcrops or trenches or underground workings or drill holes and for which the grade is computed from the results of adequate sampling, and for which the sites for inspection, sampling and measurement are so spaced and the geological character so well defined that the size, shape and mineral content are well established and for which the computed tonnage and grade are judged to be accurate within stated limits.

"Ton" means 2,000 pounds.

"Tonne" means metric tonne (2,204.6 pounds).