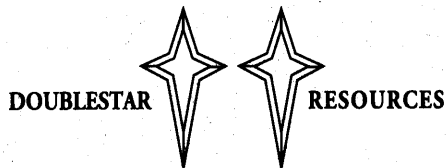


→ Larry Jones

016710



DOUBLESTAR RESOURCES LTD.

ANNUAL REPORT TO SHAREHOLDERS

FOR THE YEAR ENDED

DECEMBER 31, 1999

**305 - 1549 Marine Drive
West Vancouver, B. C.
V7V-1H9**

**The Annual General Meeting of
The Company will be held
on
Tuesday, June 20, 2000 at 11:00 a. m.
at
The offices of Bull, Housser & Tupper
30th Floor (Arbutus Boardroom)
1055 West Georgia Street
Vancouver, B. C.**

March 24, 2000

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PRESIDENT'S MESSAGE TO SHAREHOLDERS

The 1999 year saw the culmination of our efforts to build a mineral resource portfolio permissive of commercial production of metals in British Columbia. On September 28, 1999, we signed a Letter of Intent to acquire substantially all of the BC mineral properties of Falconbridge Limited and, in the result, inherited some of the finest undeveloped mineral deposits in the province. The transaction closed on January 10, 2000 and the acquired properties are detailed in the pages of this, the third annual report to our shareholders as a public company.

This event now requires changes to the way in which we have operated over the past few years. Previously, we had as our focus the single-minded need to put in place the mineral resource base that would constitute our natural resource capital. Now we have that resource base. Accordingly, Doublestar's focus must change.

We now require to move from the "finding" of mineral deposits to the development of mineral deposits. With this in mind, Doublestar has added a senior geologist with thirty years of experience in the person of Nils von Fersen, P. Geol. as Chief Geologist. Also joining the Company is Glen Ehasoo, B.Sc. Mining and Mineral Processing. Further, to accommodate the additional staff and the substantial mineral database accompanying the acquired Falconbridge properties, we have moved to larger offices effective March 2000.

Lastly, we need to acquire the financial capital with which to turn our newfound resource capital to commercial account. Doublestar will seek to raise in the neighborhood of \$3,000,000 to provide continuity of exploration/development activity to endeavor to bring the Sustut copper deposit and the Ruddock Creek zinc-lead deposit to commercial feasibility. We will be helped in these tasks by the provincial government's 20% cash rebate on exploration expenditures and by the attractive tax write-offs available to purchasers of the Company's flow-through share offerings.

At this time I would like to thank the shareholders for their patience over the past two years which is just now beginning to be rewarded.

On Behalf of the Board of Directors

Alan C. Savage
President

1999 EXPLORATION SUMMARY

In the 1999 field season Doublestar focused principally on two projects: the Pandora vein gold deposit on the west coast of Vancouver Island and the 2Star Claim Group east of Nimpkish Lake on Northern Vancouver Island.

The Pandora program consisted of re-opening the 1500 level adit and sampling the vein as well as the rocks comprising the hanging wall and footwall. These samples were used for metallurgical and environmental testing. Environmentally, Norecol, Dames, & Moore reported these representative materials were found to be non-acid generating while Process Research Associates determined that gravity concentration of crushed and ground vein material provided gold recoveries of 77%. Cyanidation of the gravity concentrate resulted in 99% recovery of the contained gold. Given the results of the program, exploration to increase reserves appears to be justified as the capital cost of an extraction plant based on gravity separation would be low, while the environmentally benign rocks hosting the deposit are an asset in terms of mine permitting.

Exploration crews traced the Pandora vein for over 1700 meters on surface and found the old 1010 and 1265 level adits, giving the vein a vertical profile of at least 350 meters. Such a strong vein provides a compelling argument for down dip exploration by diamond drilling.

The 2Star program delineated a previously indicated but hitherto undefined geophysical target. The program consisted of 5 line kilometers of ground geophysical surveys (Induced Polarization, Resistivity, Magnetic Field Strength, and VLF-EM). These surveys were designed as a follow up program to the 1998 field season to evaluate results obtained from an in-office regional compilation. The compilation review uncovered the results from a 1960's I.P. program conducted over most of the upper Kinman Creek watershed. This old program indicated that an incipient geophysical anomaly was developing at the extreme southwest corner of the geophysical grid.

Doublestar's 2Star program defined an area of high chargeability (600 by 100 meters). However, the well-developed geophysical signature may be indicative of a change in lithology (Parson's Bay metasediments), and not caused by metal sulphide content. The work performed this year has been applied toward government assessment credits, and the tenures are now in good standing through 2010.

In addition to the above, Doublestar funded its share of a joint venture program operated by an exploration geologist working out of Kelowna, B. C. The most interesting event of the 1999 JV program was the discovery of rare earth elements including Lanthanum and Cerium on the Vent property. A trenching program will be required to better test this occurrence.

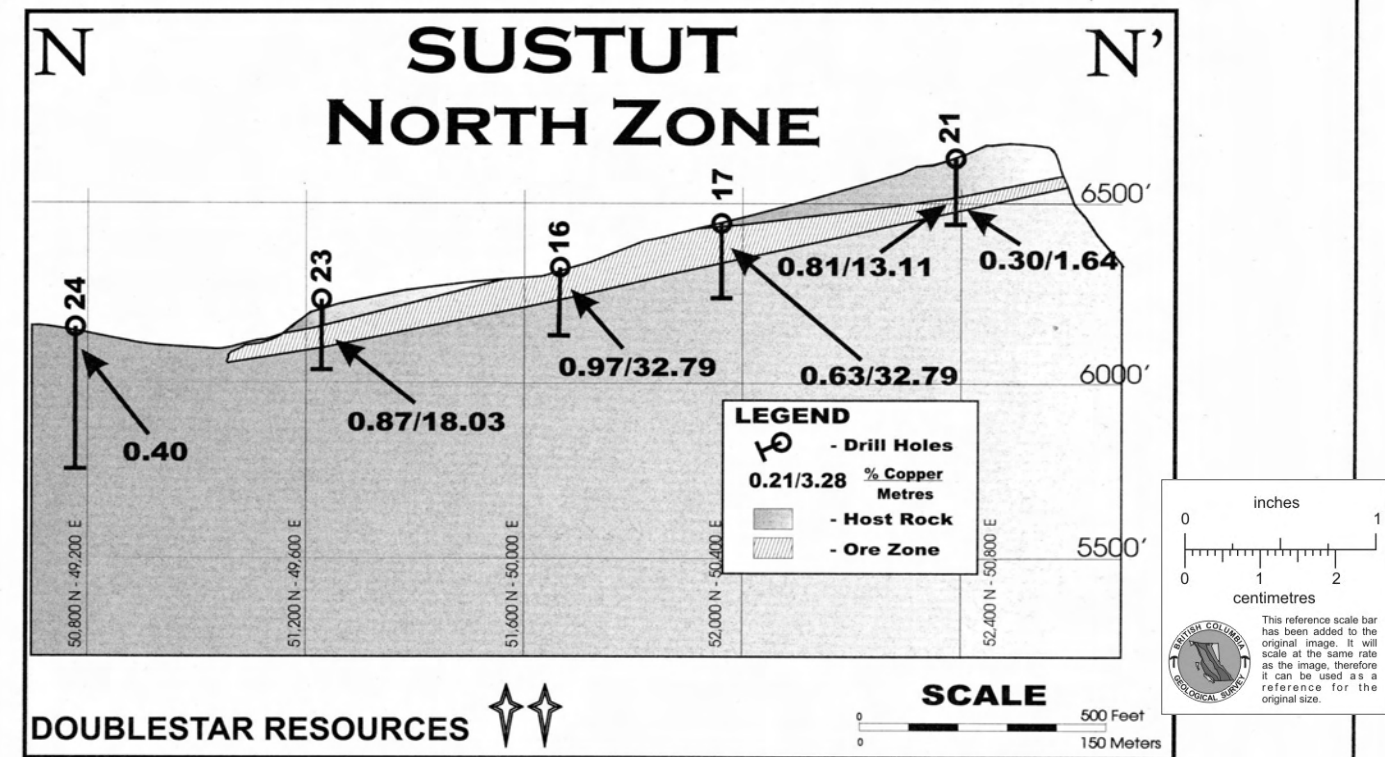
REVIEW OF THE CORE MINERAL PROPERTY ASSETS OF THE COMPANY

The acquisition of mineral properties owned by Falconbridge Limited in British Columbia has provided Doublestar Resources with an outstanding portfolio of advanced base metal projects which will be the focus of the company's planned exploration programs in 2000 and beyond.

SUSTUT PROJECT 094D 063

The Sustut copper deposit was discovered and outlined by Falconbridge Limited between 1971 and 1974. A total of 17,195 m of drilling in 139 holes has defined a mineral inventory of 43.545 million tonnes grading 0.81% copper at a cut-off grade of 0.40% Cu. (Wrigglesworth, 1974). Falconbridge calculated an in-house undiluted open pit "reserve" of 21.143 million tonnes grading 1.17% Cu. at a cut-off grade of 0.40% Cu. (Munroe, 1973). Within this, Munroe identified a "starter pit" containing 7.532 million tonnes grading 1.64% Cu. Doublestar will focus on the further definition of this high grade zone by conducting in-fill drilling, which will be required to advance the mineral inventory toward a reserve. A drill section of the North Zone is shown below to illustrate the tabular nature of the mineralization, as well as the low stripping ratio for open pit mining.

CROSS SECTION OF THE SUSTUT NORTH ZONE MINERALIZATION



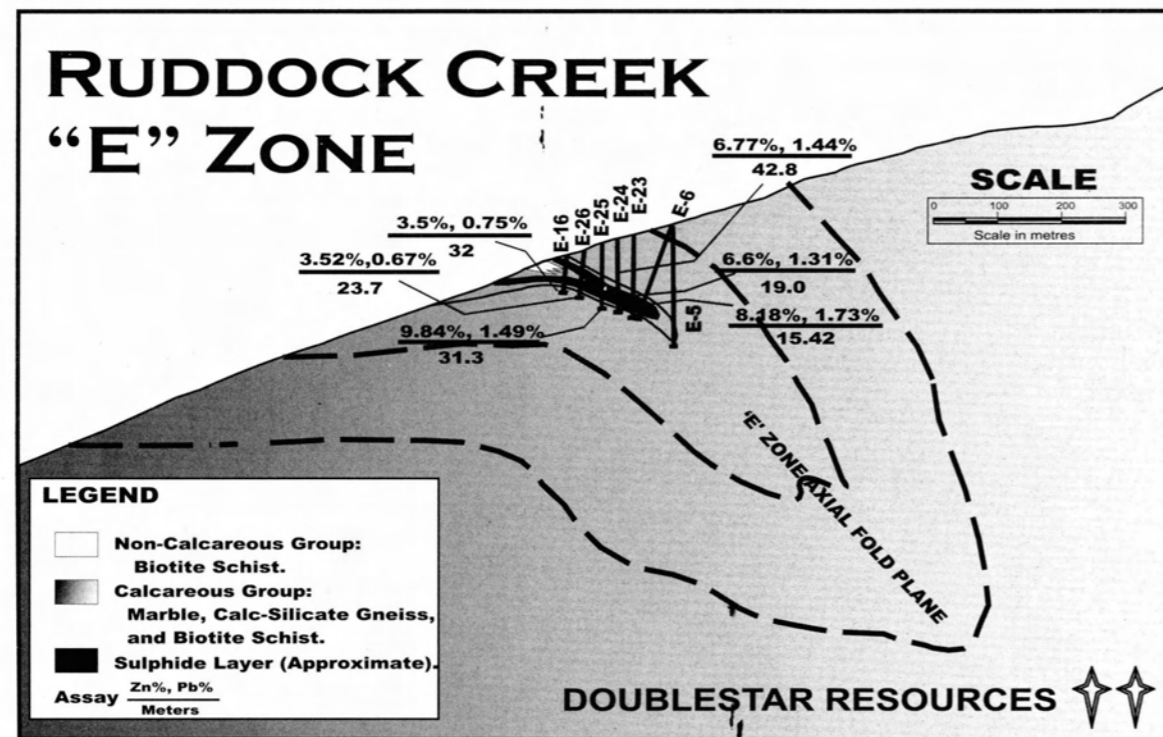
RUDDOCK CREEK DEPOSIT

082M 084

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The Ruddock Creek zinc-lead deposit was discovered by Falconbridge in 1960, and explored between 1961 and 1964. The property was optioned to Cominco in 1975. Mineralization consists of conformable bedded sulphides, exposed intermittently for approximately 8 km along the limbs of a major fold structure. Nine mineralized zones have been identified to date, the most important being the E zone, which occurs in the core of an isoclinal fold. A resource of greater than 1.5 million tonnes grading 8.4% Zn and 1.6% Pb has been outlined by drilling (Cominco, 1976). This zone has not been completely drilled off, and excellent potential exists to increase this resource.

CROSS SECTION OF THE "E ZONE" MINERALIZATION



CATFACE DEPOSIT

092F 120

5

The Catface porphyry copper deposit was discovered in 1960 and explored by Falconbridge between 1961 and 1974. Three mineralized areas were identified, known as the Cliff, Irishman Creek and Hecate Bay zones. Extensive work consisting of 20,774 m of surface and underground drilling plus 893 m of underground development focused on the Cliff zone, where copper mineralization occurs over an area approximately 900 m x 600 m, and to a depth of 350 m. A geological resource of 167.658 million tonnes grading 0.42% Cu at a cut-off of 0.30% was calculated for the Cliff zone by SRK (1990). The Irishman Creek, Hecate Bay and the Cliff zone have exploration potential for increasing tonnage and grade. In addition, little work has been done to analyze the content and possible contribution to value represented by the gold, silver and rhenium by-product metal credits. Rhenium is a space-age metal commanding a price of ~US\$1500 per kilogram.

OTHER EXPLORATION PROPERTIES

The combination of mineral deposits and exploration properties acquired from Falconbridge combined with properties previously held by Doublestar, has resulted in our ownership of a very large and valuable inventory of base and precious metals prospects in the province of British Columbia. Some of these properties are outlined below. The usual, large, expenditures associated with maintaining such an extensive property base on an annual basis have been mitigated by the addition of \$2.0 million to the Doublestar Portable Assessment Credit account by negotiated transfer from Falconbridge.

ROBB LAKE DEPOSITS

094B 005

Lead-zinc mineralization hosted in dolomite breccias was discovered at Robb Lake in 1971. Property exploration carried out between 1972 and 1982 included 24,182 m of drilling. Based on this work, Texasgulf calculated a drill inferred resource of 7.1 million tonnes grading 7.2% combined lead-zinc at a cut-off grade of 5% (Boronowski and James, 1982). Mineralization is hosted in several discrete breccia zones. Additional exploration targets have been identified.

FANDORA

092F041

The Fandora deposit is comprised of several parallel, gold bearing, quartz veins within an east-west striking, steeply dipping shear zone. The vein system has been developed on seven levels, and contains a mineral inventory of 180,000 tonnes grading 12.74 g/t Au. (Campbell, 1950). The potential for additional veins on the property has not been investigated.

YELLOW GIANT

The Yellow Giant property hosts a number of gold bearing quartz veins/stockwork and skarn zones. Previous work by Falconbridge and Trader Resources has identified four principal zones with defined mineral inventories based on drilling and some underground exploration. Trader Resources reported the following inventory in 1985:

1036024	Bob Zone	45,350 T @ 40.1 g/t Au.
1036025	Discovery Zone	58,361 T @ 15.5 g/t Au.
1036021	Kim Zone	77,896 T @ 7.1 g/t Au.
1036026	Tel Zone	71,349 T @ 14.4 g/t Au.

CHURCHILL AND HILLER

092L 031, 092L 107

The Churchill and Hiller claims cover several magnetite deposits associated with skarn, developed at the contact between limestone and a granodiorite intrusion. Falconbridge drilling on these deposits defined inventories of 3.78 million tons of 36% Fe and 0.02% Cu, and 0.66% S on the Hiller # 4 deposit; 0.3 million tons at the Hiller # 8 deposit, and 0.8-1.0 million tons at the Churchill deposit with grades in the 35-40% Fe range. Reconnaissance sampling in 1984 detected anomalous concentrations of gold associated with quartz veins, however no significant mineralization was delineated.

SMITH COPPER PROSPECT

092L 208

Zinc, lead, copper, silver mineralization occurs in skarn developed at the contact between Karmutsen volcanics and granodiorite intrusive rocks. Previous workers determined a small drill inferred mineral inventory of 84,160 tonnes grading 1.69% Cu, 3.70% Pb, 12.5% Zn, and 64.68 g/t Ag, based on eight closely spaced drill holes. (Yaeger and Ikona, 1981)

CHEMAINUS PROJECT

092B 037

The Chemainus project covers a large portion of Sicker Group volcanics, considered to be favourable for the occurrence of Kuroko style massive sulphide deposits such as the Buttle Lake deposits owned by Boliden. Polymetallic mineralization occurs in steeply dipping pyritic felsic tuffs and flows that occur over a 14 km. strike length across the two claim blocks. Between the two Chemainus claim blocks, massive sulphide reserves have been outlined by others.

THE MORRISON PROPERTIES

Doublestar holds various interests in nine gold properties covering prospective Tertiary volcanic basins located in southern B.C. Targets are structurally controlled epithermal gold mineralization as at Echo Bay's Kettle River deposit, located just south of the Canada/US border. Host rocks and mineralization for both areas are considered to be similar. In addition, Doublestar has an interest in a rare earth prospect which returned highly anomalous Lanthanum and Cerium soil results. Further work is planned in the coming field season.

MILL PROJECT

Your company is the proponent for the construction of a custom milling facility proposed to be built on northern Vancouver Island. The Company has prepared a study of available mineral inventory located within deliverable distance of the proposed site, has conducted preliminary analysis of a mill and tailings location and has designed and costed a 200 tpd mill. The initiative is longer-term in nature and is targeted at obtaining government funding for such a facility.

Doublestar Resources Ltd
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto.

Overview

The company is a mining exploration and development company, and currently has no producing properties or operating income and cash flows.

The company's policy is to capitalize all net costs related to acquisition and exploration of its mineral properties. The company evaluates each property on the completion of an exploration program on that property and determines whether or not it will continue to hold and possibly further explore the property, sell the property or abandon the property. The net capitalized costs of a property are charged to earnings on the sale or the abandonment of the property.

Operating Results

December 31, 1999 and 1998

The company had net losses of \$279,616 and \$234,604 and a net loss per share of \$0.06 and \$0.07, respectively during the years ended December 31, 1999 and 1998. The increase in the net loss for the year ended December 31, 1999 over the year ended December 31, 1998 was primarily due to an increase in the level of operations during that year. This resulted in a significant increase in the year in the amortization of capital assets (from \$587 in 1998 to \$5,629 in 1999), professional fees (from \$40,380 to \$48,455) office expenses (from \$34,210 to \$59,834) and administrative salaries (from \$0 to \$56,221), offset by a decrease in shareholder service costs (from \$28,880 to \$18,647) and an increase in the gain on sale of mineral properties (from \$995 to \$17,667). The company's write downs of mineral properties also decreased during 1999, from \$102,797 to \$75,053.

The company spent a total of \$268,463 on acquisition and exploration of its mineral properties during the year ended December 31, 1999, compared to \$361,496 during the preceding year. The company's activities during 1999 were directed towards a more detailed exploration of the Fandora property and the acquisition of certain British Columbia mineral properties owned by Falconbridge Limited (which was successfully concluded in January 2000).

December 31, 1998 and 1997

The company had net losses of \$234,604 and \$34,925 and a net loss per share of \$0.07 and \$0.01, respectively during the years ended December 31, 1998 and 1997. The increase in the net loss for the year ended December 31, 1998 over the year ended December 31, 1997 was primarily due to an increase in overall activity during that year. The company spent \$40,380 (1997 - \$6,153) on professional fees and \$28,880 (1997 - \$ Nil) on shareholder costs, both of which were a consequence of the regulatory requirements from the listing of the company's shares for trading on the Vancouver Stock Exchange. The company also incurred higher office expenses of \$34,797 (1997 - \$1,162) as a result of its increased activity. During 1998 the company also wrote down mineral properties which it considered uneconomic by \$102,797.

The company spent a total of \$361,496 on acquisition (\$159,402), exploration (\$133,523) and reclamation (\$76,160) of its mineral properties during 1998, compared to exploration expenditures of \$106,555 during 1997. The reclamation expenditures were all on the Yellow Giant property. The other expenditures were on a number of properties and were primarily directed towards preliminary evaluation of the properties.

Liquidity and Capital Resources

As at December 31, 1999 the company had a working capital deficiency, defined as current liabilities in excess of current assets, of \$102,294, compared to a deficiency of \$18,000 at December 31, 1998. The working capital deficiency was primarily a result of the company's principal shareholder, Southern Gold Resources Ltd., financing expenditures in excess of funds raised during the year. The company received cash of \$231,900 from the issue of shares and \$132,500 from the issue of special warrants during 1999, compared to cash of \$220,000 from the issue of shares during 1998. The company also issued shares with a value of \$52,481 for the acquisition of mineral properties during 1998.

During 1999 the company financed the purchase of a capital asset through a loan for \$54,556, maturing on June 7, 2014.

The company requires cash of \$200,000 to make the May 1, 2000 instalment for the acquisition of a mineral property from Falconbridge Limited, as well as cash of \$250,000 to make the final May 1, 2001 instalment for the same property. The company intends to continue the exploration of its existing properties and may acquire new properties that are in the exploration stage. It intends to fund its property commitments from working capital and future share issues.

AUDITORS' REPORT

To the Shareholders of
Doublestar Resources Ltd.

We have audited the balance sheets of Doublestar Resources Ltd. as at December 31, 1999 and 1998 and the statements of loss and deficit, of cash flows and of mineral property expenditures for each of the years in the two year period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of the company as at December 31, 1999 and 1998 and the results of its operations and the changes in its financial position for each of the years in the two year period ended December 31, 1999 in accordance with generally accepted accounting principles. As required by the *Company Act, British Columbia* we report that these principles have been applied on a consistent basis.

Hay & Watson

Vancouver, B.C.
February 9, 2000

DOUBLESTAR RESOURCES LTD.

Statement of Loss and Deficit
Year Ended December 31, 1999

	1999	1998
Revenue		
Interest income	\$ 549	\$ 1,657
Gain on sale of mineral properties	<u>17,667</u>	<u>995</u>
	<u>18,216</u>	<u>2,652</u>
Expenses		
Amortization	5,629	587
Bank interest and service charges	1,304	402
Interest on long-term debt	2,689	-
Professional fees	48,455	40,380
Office expenses	59,834	34,210
Management fees (Note 7)	30,000	30,000
Salaries	56,221	-
Shareholder services	<u>18,647</u>	<u>28,880</u>
	<u>222,779</u>	<u>134,459</u>
Loss Before Mineral Property Write Down	(204,563)	(131,807)
Write Down of Mineral Properties	<u>(75,053)</u>	<u>(102,797)</u>
Net Loss	(279,616)	(234,604)
Deficit, Beginning of Year	<u>(275,463)</u>	<u>(40,859)</u>
Deficit, End of Year	<u>\$(555,079)</u>	<u>\$(275,463)</u>
Loss Per Share	<u>\$ (0.06)</u>	<u>\$ (0.07)</u>

DOUBLESTAR RESOURCES LTD.

Balance Sheet
December 31, 1999

	1999	1998
ASSETS		
Current		
Cash and short-term deposits	\$ 25,503	\$ 1,139
Accounts receivable	23,847	42,414
Prepaid expenses	<u>660</u>	<u>593</u>
	50,010	44,146
Project Deposits (Note 2)	7,500	5,000
Mineral Properties (Note 3)	665,755	503,363
Capital Assets, net of accumulated amortization of \$6,216 (1998 - \$587)	59,723	3,829
Mill Project	<u>31,187</u>	<u>30,464</u>
	<u>\$ 814,175</u>	<u>\$ 586,802</u>
LIABILITIES		
Current		
Accounts payable	\$ 21,838	\$ 13,406
Payable to Southern Gold Resources Ltd. (Note 7)	128,340	48,740
Current portion of loan payable	<u>2,126</u>	<u>-</u>
	152,304	62,146
Loan Payable (Note 4)	<u>52,430</u>	<u>-</u>
	<u>204,734</u>	<u>62,146</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	1,032,020	800,119
Special Warrants (Note 6)	132,500	-
Deficit	<u>(555,079)</u>	<u>(275,463)</u>
APPROVED BY THE BOARD	<u>609,441</u>	<u>524,656</u>
_____ Director	<u>\$ 814,175</u>	<u>\$ 586,802</u>
_____ Director		

DOUBLESTAR RESOURCES LTD.

Statement of Cash Flows
Year Ended December 31, 1999

	1999	1998
Cash Flows Used in Operating Activities		
Net loss	\$(279,616)	\$ (234,604)
Adjustments for		
Amortization of capital assets	5,629	587
Gain on sale of mineral properties	(17,667)	(995)
Write down of mineral properties	<u>75,053</u>	<u>102,797</u>
	(216,601)	(132,215)
Changes in other working capital items		
Decrease (increase) in accounts receivable	18,567	(27,602)
Increase (decrease) in prepaid expenses	(67)	407
Increase in accounts payable	8,432	10,390
Increase in payable to Southern Gold Resources Ltd.	<u>79,600</u>	<u>48,110</u>
	(110,069)	(100,910)
Cash flows used in operating activities	<u>(110,069)</u>	<u>(100,910)</u>
Cash Flows Used in Investing Activities		
Mineral property expenditures		
Sale of mineral properties	29,000	10,000
Acquisition costs	(95,456)	(159,402)
Exploration and reclamation expenditures	(153,322)	(209,683)
Purchase of capital assets	(61,522)	(4,416)
Mill project	(723)	(30,464)
Project deposits	<u>(2,500)</u>	<u>-</u>
	(284,523)	(393,965)
Cash flows used in investing activities	<u>(284,523)</u>	<u>(393,965)</u>
Cash Flows From Financing Activities		
Net proceeds from loan	54,556	-
Shares issued for cash	231,900	220,000
Special warrants issued	132,500	-
Shares issued for mineral properties	<u>-</u>	<u>52,481</u>
	418,956	272,481
Cash flows from financing activities	<u>418,956</u>	<u>272,481</u>
Increase (Decrease) in Cash	24,364	(222,394)
Cash and Short-term Deposits, Beginning of Year	<u>1,139</u>	<u>223,533</u>
Cash and Short-term Deposits, End of Year	<u>\$ 25,503</u>	<u>\$ 1,139</u>

DOUBLESTAR RESOURCES LTD.

Statement of Mineral Property Expenditures
Year Ended December 31, 1999

	Goldstar	Fort	Fandora	Yellow Giant	Joe, FR and Storey	SJ	Sustut	Other	Total
Acquisition Costs									
Share consideration (Note 4)	\$ 65,716	\$43,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,244	\$ 132,528
Cash	<u>600</u>	-	-	-	-	-	-	-	<u>600</u>
Exploration Expenditures									
Balance, December 31, 1996	66,316	43,568	-	-	-	-	-	23,244	133,128
Exploration Expenditures	<u>3,522</u>	<u>1,805</u>	-	-	-	-	-	<u>1,070</u>	<u>6,397</u>
Balance, December 31, 1997	69,838	45,373	-	-	-	-	-	24,314	139,525
Exploration Expenditures	<u>60,717</u>	<u>43,107</u>	-	-	-	-	-	<u>2,731</u>	<u>106,555</u>
Balance, December 31, 1997	130,555	88,480	-	-	-	-	-	27,045	246,080
Acquisition Costs	2,510	-	15,014	45,000	7,020	5,280	-	84,578	159,402
Exploration Expenditures	8,691	4,959	18,504	-	24,728	265	-	76,376	133,523
Reclamation Expenditures	-	-	-	76,160	-	-	-	-	76,160
Property Sale	-	-	-	-	-	-	-	(9,005)	(9,005)
Properties Written Down	-	-	-	-	-	-	-	(102,797)	(102,797)
Balance, December 31, 1998	141,756	93,439	33,518	121,160	31,748	5,545	-	76,197	503,363
Property Sales	-	-	-	-	-	-	-	(11,333)	(11,333)
Acquisition Costs	-	-	3,663	3,500	-	-	83,763	4,530	95,456
Exploration Expenditures	(6)	-	71,230	-	9,658	4,048	-	68,392	153,322
Properties Written Down	-	-	-	-	-	-	-	(75,053)	(75,053)
Balance, December 31, 1999	<u>\$ 141,750</u>	<u>\$ 93,439</u>	<u>\$ 108,411</u>	<u>\$ 124,660</u>	<u>\$ 41,406</u>	<u>\$ 9,593</u>	<u>\$ 83,763</u>	<u>\$ 62,733</u>	<u>\$ 665,755</u>

DOUBLESTAR RESOURCES LTD.

Notes to Financial Statements
December 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, which include the following significant policies:

Operations

The company was incorporated on October 7, 1996 and began exploring mineral properties immediately thereafter.

Mineral Properties

The company accounts for its mineral properties whereby costs relative to the acquisition, exploration and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to earnings. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves. Once commercial production has commenced, these net costs are charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties are charged to earnings.

The recoverability of the amounts shown for mineral properties and related costs are dependent upon the confirmation of economically recoverable reserves, the ability of the company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders who are providing this financing and upon future profitable production.

Capital Assets

Capital assets are recorded at cost. Amortization is calculated using the declining balance method at the following rates:

Radio equipment	25%
Computer equipment	30%
Other equipment	20%

2. PROJECT DEPOSITS

The project deposits represent term deposits in favour of regulatory authorities held as site restoration deposits. These deposits will be released to the company on satisfactory restoration of the properties.

DOUBLESTAR RESOURCES LTD.

Notes to Financial Statements
December 31, 1999

3. MINERAL PROPERTY INTERESTS

The company's mineral properties are composed of outright ownership, ranging from 10% to 100%, of various claims in British Columbia.

The company's exploration and reclamation expenditures during the year were:

	1999	1998
Equipment	\$ 4,209	\$ -
Environment	7,509	-
Labour	9,645	-
Assays	4,273	4,132
Geological and geophysical	96,328	184,269
Equipment rentals	1,267	-
Travel and camp costs	7,783	-
Maintenance	707	19,602
Other	9,577	1,680
Metallurgical testing	<u>12,024</u>	<u>-</u>
	<u>\$ 153,322</u>	<u>\$ 209,683</u>

By letter agreement dated September 30, 1999, the company has agreed to acquire substantially all of Falconbridge Limited's eleven mineral property interests in British Columbia. The consideration to be paid by the company for the properties is \$500,000 in cash, 1,500,000 Class A shares and warrants to purchase 1,500,000 Class A shares (500,000 exercisable at \$1.00 per share, 500,000 at \$1.25 per share and 500,000 at \$1.50 per share, all expiring in eight years). The company will also make available 150,000 Class A shares to Falconbridge Limited to enable Falconbridge to acquire minority interests on behalf of the company in the properties. Several of the properties are subject to rights of first refusal, rights to earn back an interest and royalty rights.

The \$500,000 cash portion of the consideration will relate exclusively to the acquisition by the company of the Sustut property. A \$50,000 non-refundable deposit was paid in October 1999. Upon closing of the acquisition of the Sustut property, the deposit will be applied against the \$500,000 purchase price. The company will issue a \$200,000 interest-free promissory note due May 1, 2000 and a \$250,000 interest-free promissory note due May 1, 2001 in satisfaction of the remaining \$450,000 owing. The Sustut property will be held in trust by Falconbridge pending the final payment.

The Falconbridge transaction closed on January 10, 2000.

DOUBLESTAR RESOURCES LTD.

Notes to Financial Statements
December 31, 1999

4. LOAN PAYABLE

The loan is secured by a chattel mortgage on a boat and repayable in monthly instalments, including interest at the bank prime lending rate plus 2 3/4%, and matures on June 7, 2014. Principal repayments during the next five fiscal years are:

2000	\$ 2,126
2001	2,317
2002	2,526
2003	2,753
2004	3,001

5. SHARE CAPITAL

Authorized
Unlimited number of Class A shares without par value
Issued and fully paid

	Number of Shares	Amount
Balance, December 31, 1996	2,290,000	\$ 430,028
Issued for cash, net of share issue costs of \$162,390	600,000	77,610
Issued for corporate finance services	<u>50,000</u>	<u>20,000</u>
Balance, December 31, 1997	2,940,000	527,638
Issued for mineral properties	141,841	56,737
Mineral property cost adjustment	-	(4,256)
Issued for cash on private placement	<u>850,000</u>	<u>220,000</u>
Balance, December 31, 1998	3,931,841	800,119
Issued on exercise of warrants	390,000	81,901
Issued for cash on private placement	<u>300,000</u>	<u>150,000</u>
Balance, December 31, 1999	<u>4,621,841</u>	<u>\$ 1,032,020</u>

The following options and warrants to purchase Class A shares are outstanding as of the date of these financial statements:

- Directors' options to purchase 190,000 shares at \$0.40 per share, expiring on August 1, 2002
- Employees' options to purchase 20,000 shares at \$0.40 per share, expiring on August 1, 2002
- Employee's options to purchase 19,000 shares at \$0.40 per share, expiring February 27, 2003
- Warrants to purchase 250,000 shares at \$0.40 in the first year and \$0.46 in the second year, expiring June 11, 2000

DOUBLESTAR RESOURCES LTD.

Notes to Financial Statements
December 31, 1999

5. SHARE CAPITAL (continued)

Warrants to purchase 225,000 shares at \$0.20 in the first year and \$0.23 in the second year, expiring October 8, 2000
Employee's option to purchase 19,000 shares at \$0.24 per share, expiring June 1, 2004
Directors' options to purchase 50,000 shares at \$0.30 per share, expiring September 20, 2004
Employees' options to purchase 75,000 shares at \$0.30 per share, expiring September 20, 2004
Employees' options to purchase 89,000 shares at \$0.50 per share, exercisable from January 11, 2000, expiring January 10, 2005
Employee's options to purchase 89,000 shares at \$0.50 per share exercisable from January 11, 2001, expiring January 10, 2005

6. SPECIAL WARRANTS

	Number of Warrants	Amount
Issued for cash on private placement and balance, December 31, 1999	<u>530,000</u>	<u>\$ 132,500</u>

On August 31, 1999 the company issued 530,000 Special Warrants by way of private placement to raise funds for the exploration of the company's Pandora property and general working capital. The warrants were issued at a price of \$0.25 per special warrant. Each Special Warrant is non-transferable and entitles the holder, upon exercise or deemed exercise, and without payment of any additional consideration, to receive one unit (which consists of one Class A share and one non-transferable share purchase warrant). Each warrant entitles the holder to purchase one Class A share for a period of two years after the date of the warrant at a price of \$0.25 per share in the first year and \$0.29 per share in the second. The Special Warrants were deemed exercised on January 4, 2000.

7. RELATED PARTY TRANSACTIONS

Management fees of \$30,000 (1998 - \$30,000) were paid to Southern Gold Resources Ltd., representing the company's estimated share of management, premises and service costs.

Southern Gold Resources Ltd. owns approximately 53% of the outstanding shares of the company as at December 31, 1999.

DOUBLESTAR RESOURCES LTD.

Notes to Financial Statements
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8. INCOME TAXES

The company has losses available for deduction against future years' taxable incomes amounting to \$450,502. If unused, these losses will expire as follows:

2003	\$ 13,200
2004	57,461
2005	155,878
2006	223,963

The company also has other amounts available for deduction against future years' taxable incomes totalling \$626,867. The potential future benefits arising from these deductions have not been recorded in these financial statements.

9. FINANCIAL INSTRUMENTS

The carrying values of cash and short-term deposits, accounts receivable and accounts payable on the balance sheet approximate their respective fair values.

10. YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates to represent something other than a date.

Although January 1, 2000 has passed and the effects of that change in date are known, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the company, including those related to the efforts of customers, suppliers, or other third parties have been fully resolved.

In 1998, Doublestar was
awarded the British Columbia
Mine Reclamation Award for
Outstanding Reclamation
Achievement in the Mineral
Exploration Category.

Doublestar Resources Ltd. is listed on the Canadian Venture Exchange
under the trading symbol DSR

Directors:

G. Arnold Armstrong LL.B.
Albert F. Reeve P. Geol.
Alan C. Savage
James G. G. Watt

President & Secretary

Other Officers and Staff:

Robert Gayton Ph D., CA
Terence J. Rochfort

**Vice-president Finance
Vice-President Land and
External Relations**

Nils von Fersen P. Geol.
Paul D. Gray B.Sc.
Glen Ehasoo B. A. Sc.

**Chief Geologist
Geologist
Mining Engineer**

Auditors:

Hay and Watson
1822 West 2nd Ave.
Vancouver B. C.

Legal Counsel:

Bull, Housser, Tupper
3000 Royal Centre
1055 W. Georgia St.
Vancouver, B. C.

Bank:

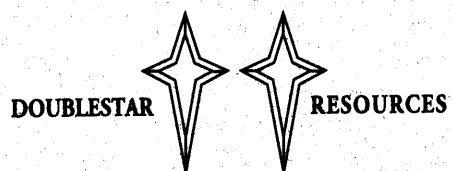
Bank of Montreal
Park Royal Branch
West Vancouver, B. C.

Registrar & Transfer Agent:

Montreal Trust
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