SPIDER RESOURCES INC.

1997 Annual Report

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Message to Shareholders

On behalf of the Board of Directors of Spider Resources Inc., I am pleased to present the shareholders with a review of the company's activities for the year ended December 31, 1997.

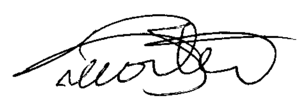
The year has been one of mixed results. New projects have been added to Spider's diamond portfolio, while one was put on hold, and another one was abandoned. Your directors and officers are currently considering other new project areas which will maintain your company as an active participant in the global search for diamonds.

During the restructuring of the St. Geneviève Group of companies, Spider continued its activities and remained relatively stable. However, the difficult financial situation faced by St. Geneviève Resources Ltd., Spider's affiliated company, contributed to the decrease of the market price of Spider's shares.

In November 1997, Spider lost its Chairman of the Board, Mr. Peter Miller. However, the remaining Board members and officers of your company are united and confident in their abilities to guide Spider through 1998.

The historical equity financing that your company relied upon for its activities was greatly dependent on the support from St. Geneviève Group and its contacts within the financial community. The involvement of the financial community with Spider has been somewhat compromised by the situation in which St. Geneviève currently lies. However, management is committed to restoring confidence of its financial partners. New investors and old, institutional and private, will be given the opportunity to revitalize Spider's financial situation in the coming months through a series of private placement subscriptions. This may result in a change of control of the company from St. Geneviève to a new financial partner. Management is confident that interest and capital will be raised to meet the 1998 exploration commitments of Spider and provide sufficient working capital for a successful and rewarding fiscal 1998 and beyond.

On behalf of the Board,



Norman E. Brewster
President and Chief Executive Officer
April 14, 1998

Summary of Operations

In January 1997, the company concluded a 5-year mineral exploration license agreement with Algoma Central Corporation for 222 square kilometres of territory covering a diamond discovery made by prospector Sandor Surmacz near the town of Wawa, Ontario. An initial geochemical and geological sampling program carried out in late spring and early summer identified six additional sites from which diamond was recovered. Further sampling carried out during the summer months yielded one sample of 164.7 kilograms from which a total of 95 diamonds including 15 macrodiamonds were recovered. Additional work is planned for this project area during the coming months.

In February 1997, Spider entered into a joint venture with KWG Resources Inc. whereby Spider could earn a 50% interest in the latter company's diamond holdings in the states of Goias and Minas Gerais in Brazil. These holdings cover an area of approximately 2,000 square kilometres. Spider initiated several regional orientation programs including linecutting, soil geochemistry, geological mapping and geophysics to outline the previously identified Contendas structure. Other target areas within the property limits were also investigated by these targets. Detail work was, however, restricted to the Contendas structure where garimperos were actively recovering diamonds from shallow pits. The regional program is considered to have been quite successful in identifying many other Contendas style targets. The Contendas itself was further investigated during the last quarter of the year by a short drilling program. This program succeeded in intersecting two kimberlite/lamproite dikes in one drill hole. Samples from these intersections were eventually processed for diamond content yielding one microdiamond in 5.3 kilograms of sample material. A further program diamond drilling and surface pitting is being planned for this property during the coming year.

Also in February, the company announced a $1.7 million drilling program in the James Bay Lowlands project. This program was preliminary designed to test the Kyle #4 and #5 kimberlites for diamond content. Although diamonds were recovered from these two kimberlites, the quantity was insufficient to warrant further investigation. By year end, management decided to seek joint venture participation with other diamond explorers for further exploration of the James Bay Lowlands project, this process is going well.

In March 1997, the company entered into an agreement with Emerging Africa Gold (EAG) Inc. to ultimately earn a 100% interest in that EAG's entitlement to alluvial and source rock diamonds in an 1,089 kilometre concession in the Republic of Guinea, located in Western Africa. In addition, Spider obtained the diamond rights to a further 413 square kilometre concession belonging to Bassad Guinea S.A. Following the completion of initial compilation studies on both projects, which included airborne magnetic surveys, examination of existing geological reports, site visits, ground follow up of several identified airborne targets and critical review of various underlying agreements containing escalating financial commitments, Spider elected to drop all exploration rights to its Guinean properties. Although these properties may have merit, management considered to be financially onerous and therefore not justifiable to get a clear title of the properties.

Outlook for 1998

The company anticipates an active 1998; plans and budgets have been prepared for its projects in Brazil and in the Wawa area of Ontario. Encouraging results on both of these projects have been received, which require pursuit in the coming year. The company is currently discussing joint venture opportunities with respect to its James Bay Lowlands project area with various active diamond explorers. Restructuring of management of Spider is not contemplated at this time, however as the year progresses new ideas and projects currently being considered may require some changes. Current management is committed to inform shareholders of all new developments in a timely manner.

Management Discussion and Analysis of Financial Results

During the fiscal year 1997, the company invested more than $3,700,000 on its various properties as follows: $1,900,000 in Canada, $1,340,000 in Brazil and $400,000 in Guinea. The company entered into a joint venture agreement with KWG Resources Inc. ("KWG") relatively to the latter's properties in Brazil. Pursuant to this agreement, the company has the right to acquire a 50% in these properties properties by spending $1,800,000 on these properties prior to the end of 1998. The operating results of the company for the year 1997 were affected by the difficult conditions faced by all of the mining sector.

Operations

For the year ended December 31, 1997, the company incurred a net loss of $2,343,272 ($0.03 per share) compared to a net loss of $208,001 ($0.01 per share) for the year ended December 31, 1996. The increase in the net loss is essentially attributable the $829,787 increase in administration expenses, the $520,000 devalutation of its investment in KWG, and the $798,916 write-off of mining assets.

Expenses

The increase in administration expenses reached 400%, from $208,001 in 1996 to $1,037,788 in 1997 due mainly to the payment of $208,000 to an officer of the company for services rendered relatively to financings realized under particularly difficult market conditions and to the payment of $560,000 of professional fees to a third party.

The investment in KWG was devalued by $520,000 (nil in 1996) after the filing of a motion by KWG, in November 1997, under the *Companies' Creditors Arrangement Act*. Pursuant to the plan filed by KWG, the company would receive approximately 1,739,055 common shares of KWG for its $695,622 receivable from KWG, on the basis of one common share of KWG for each $0.40 of indebtedness. The company intends to reimburse $431,298 payable to St. Geneviève Resources Ltd. by remitting to the latter common shares of KWG on the basis of one common share of KWG for each $0.40 of indebtedness.

Mining assets were written down by $798,916 (nil in 1996) reflecting a lesser value in Guinean properties ($398,916) and the Tystar property in Ontario($400,000).

Financing, Working Capital and Liquidities

Exploration activities of the company were financed by the $1,700,000 Deposit for exploration expenses and by the issuance of common shares. During the year, the company issued 3,150,020 common shares in consideration of $1,368,010 in cash (1996 - 2,333,592 common shares for $567,755); 2,050,204 common shares in consideration of $623,954 following the conversion of warrants (1996 - 200,000 common shares for $66,000); 1,003,980 flow-through shares in consideration of $522,070 (1996 - 15,616,508 common shares for $3,799,589); and 840,000 common shares in consideration of $176,400 following the exercise of options (1996 - 740,000 common shares for $155,400)

Moreover, the company issued 3,913,044 common shares to creditors in payment of $450,000 of accounts payable and concluded an agreement with a company owned by a director to settle a $200,000 debt by issuing 1,739,130 common shares. The settlement agreed upon with the director must be approved by the shareholders at the coming annual meeting.

At the end of 1997, the company has a negative working capital of $1,075,390 and cash on hand of $7,024 compared to a negative working capital of $520,742 and cash on hand of $1,796,867 at the end of 1996.

Outlook

In 1998, the company will continue its efforts to convert amounts due to third parties into equity of the company and it will undertake an exploration program in Brazil of approximately $500,000 in the beginning of June. The company intends to upgrade the value of its Canadian and Brazilian properties and is confident to be able to finance their development.

Management's Responsibility for Financial Reporting

Management is responsible for the preparation of the financial statements and other financial information relating to the company included in this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on management's estimates and judgments.

Price Waterhouse, our independent auditors, are engaged to express a professional opinion on the financial statements. The Auditor's report states that the examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the financial statements prepared by management are presented fairly in accordance with generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board appointed an Audit Committee composed of three directors who are not members of management. The Committee meets with the independent auditors to discuss the results of their audit and their audit report prior to submitting the financial statements to the Board of Directors for its consideration and for approval to issuance to shareholders.

On the recommendation of the Audit Committee, the Board of Directors has approved the company's financial statements.

Norman E. Brewster
President and Chief Executive Officer

Auditors' Report

March 31, 1998

To the Shareholders of Spider Resources Inc.

We have audited the consolidated balance sheet of Spider Resources Inc. as at December 31, 1997 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants
Montreal, Canada

Consolidated Balance Sheet

(in Canadian dollars)

	December 31	
	1997	**1996**
Assets		
Current assets		
Cash	$ 7,024	$ 56,867
Accounts receivable	131,991	77,577
Due from a related company	13,065	-
	152,080	134,444
Investments (Note 3)	775,622	600,000
Capital assets (Note 4)	34,291	-
Mining assets (Note 5)		
Deposit for exploration expenses	-	1,740,000
Cost and deferred exploration expenses	11,419,317	8,484,164
	11,419,317	10,224,164
	$ 12,381,310	$ 10,958,608
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 647,584	$ 67,586
Due to related companies (Note 6)	579,886	587,600
	1,227,470	655,186
Shareholders' Equity		
Share capital (Note 7)	15,166,422	11,825,988
Deficit	(4,012,582)	(1,522,566)
	11,153,840	10,303,422
	$ 12,381,310	$ 10,958,608

Approved by the Board , Director , Director

Consolidated Statement of Operations and Deficit

(in Canadian dollars)

	Year ended December 31	
	1997	**1996**
Revenues		
Interest income	$ 14,432	$ -
Expenses		
Administrative expenses	1,037,788	208,001
Write-down of an investment	520,000	-
Mining assets write-off	798,916	-
	2,356,704	208,001
Net loss for the year	(2,342,272)	(208,001)
Deficit at beginning of year	(1,522,566)	(840,815)
Share issue expenses	(147,744)	(473,750)
Deficit at end of year	$ (4,012,582)	$ (1,522,566)
Loss per share	$ (0.03)	$ (0.01)

Consolidated Statement of Changes in Financial Position

(in Canadian dollars)

	Year ended December 31	
	1997	**1996**
Operating activities		
Net loss for the year	$ (2,342,272)	$ (208,001)
Items not affecting cash		
Write-down of an investment	520,000	-
Mining assets write-off	798,916	-
	(1,023,356)	(208,001)
Net change in non-cash items	525,584	(23,270)
Cash used for operating activities	(497,772)	(231,271)
Financing activities		
Issue of share capital	3,340,434	4,588,744
Share issue expenses	(147,744)	(473,750)
Net increase (decrease) in due to related companies	(20,779)	589,963
Cash generated from financing activities	3,171,911	4,704,957
Investing activities		
Increase in investments	(695,622)	-
Addition to capital assets	(61,079)	-
Increase in cost and deferred exploration expenses	(3,707,281)	(3,304,792)
Decrease (increase) in deposit for exploration expenses	1,740,000	(1,662,387)
Cash used for investing activities	(2,723,982)	(4,967,179)
Net change in cash during the year	(49,843)	(493,493)
Cash at beginning of year	56,867	550,360
Cash at end of year	$ 7,024	$ 56,867

Notes to Consolidated Financial Statements

(in Canadian dollars)

1. Incorporation and nature of operations

The company was incorporated under the Canada Business Corporations Act on July 20, 1992.

The company has interests in mining properties presently at the exploration stage and has not yet determined whether these properties contain ore reserves which are economically recoverable. The recoverability of costs relating to these mining properties, including deferred exploration expenses, is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain the necessary financing to complete the development, as well as future profitable production or alternatively, upon disposition of such properties at an amount equal to the company's investment therein.

2. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements of the company include the accounts of the company and its wholly-owned subsidiary Spider Diamond Mineracaò Limitada.

Use of estimate

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

Fair value of financial instruments

The company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The effective results may differ from these estimates and the use of different assumptions or methodologies may have material effects on the estimated fair values.

The fair value of short-term financial assets and liabilities is comparable to their carrying value due to the relatively short period to maturity of the instruments.

Interest rate risk

Cash, accounts receivable and accounts payable do not bear interest.

Investments

Investments are recorded at cost and their carrying value is written down below cost if there is a loss of value which is considered to be other than temporary.

Capital assets

Capital assets are recorded at acquisition cost.

Capital assets are depreciated using the declining balance method at rates varying from 20% to 30%. During the exploration phase, depreciation is capitalized as deferred exploration expenses.

Mining assets

Mining assets include wholly-owned mining properties, rights to acquire interests in mining properties and deferred exploration expenses.

Exploration cost are deferred until the economic viability of the project has been established, at which time costs are added to mining properties, plant and equipment. Costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available for development over a five-year consecutive period or results from exploration work not warranting further investment.

Proceeds from the sale of a mining asset are applied against related carrying costs and any excess is reflected as a gain in the statement of operations. In the case of a partial sale, if carrying costs exceed the proceeds, only the loss is reflected.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Other assets and liabilities as well as items from the statement of operations are translated at the rates of exchange on each transaction date. Gains or losses on translation are included in income.

Share issue expenses

Share issue expenses are recorded as an increase in the deficit in the year in which they are incurred.

Loss per share

Loss per share is computed using the weighted average number of shares outstanding during the year.

3. Investments

Investments are comprised of:

	1997	1996
Due from KWG Resources Inc. *	$ 695,622	$ -
200,000 common shares of KWG Resources Inc. (fair market value $80,000; 1996 - $1,540,000)	80,000	600,000
	$ 775,622	$ 600,000

* On November 27, 1997 KWG Resources Inc. ("KWG") sought and receive protection from its creditors under the implementation of the *Companies' Creditors Arrangement Act* ("CCAA"). A restructuring plan under CCAA was filed on January 23, 1998. The restructuring plan provides for a conversion of the amount receivable from KWG on the basis of one share for every $0.40.

The shares of KWG have been written down as of December 31, 1997 to reflect their fair estimated value.

4. Capital assets

	1997 Cost	1997 Accumulated deprediation	1997 Net book value	1996 Net book value
Exploration equipment	$ 19,240	$ 3,848	$ 15,392	$ -
Rolling stock	26,999	8,100	18,899	-
	$ 46,239	$ 11,948	$ 34,291	$ -

5. Mining assets

	Cost		Deferred exploration expenses	
	1997	**1996**	**1997**	**1996**
Canada				
Spider #1	$ 1,873,160	$ 1,873,160	$ 5,216,694	$ 4,175,496
Spider #2	70,500	70,500	553,762	553,293
Spider #3	38,340	9,540	1,453,437	1,045,513
Wawa	123,960	50,000	484,300	45,052
Lansdowne	261,610	261,610	-	-
Tystar	-	400,000	-	-
	2,367,570	2,664,810	7,708,193	5,819,354
Brazil				
Paranaiba	-	-	1,343,554	-
	$ 2,367,570	$ 2,664,810	$ 9,051,747	$ 5,819,354

Cost and deferred exploration expenses

	1997	**1996**
Balance at beginning of the year	$ 8,484,164	$ 5,179,372
Cost and deferred exploration expenses	3,707,281	3,304,792
Capitalized depreciation	26,788	-
Write-off of mining assets	(798,916)	-
	$ 11,419,317	$ 8,484,164

The group of claims described as Spider #1, #2 and #3 projects are subject to the terms of a joint venture exploration agreement with KWG, a related company, whereby both partners must contribute on a pro rata basis to all incurred expenditures or undergo dilution. The Spider #1 project, except for the Kyle Lake #1 kimberlite, is subject to an agreement whereby Ashton Mining of Canada Inc. may acquire a 25% interest by reimbursing 300% of the exploration and evaluation costs of the discovery prior to the decision to mine. The company will be awarded a pro rata portion of the reimbursement.

The Brazilian mining assets are also subject to a joint venture agreement between KWG and the company pursuant to which the company will earn a 50% interest by spending $1.8 million before the end of 1998.

6. Due to related companies

	1997	1996
Due to St. Geneviève Resources Ltd.	$ 431,298	$ -
Due to KWG Resources Inc.	-	587,600
Other related companies	148,588	-
	$ 579,886	$ 587,600

The amounts due to related companies have no repayment terms and do not bear interest.

7. Share capital

Authorized

An unlimited number of common and preferred shares issuable in series

Issued

Changes in the company's share capital were as follows:

	1997		1996	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance at beginning of year	73,009,784	$ 11,825,988	54,119,684	$ 7,237,244
Issued for Canadian exploration expenses	1,003,980	522,070	15,616,508	3,799,589
Issued and paid in cash	3,150,020	1,368,010	2,333,592	567,755
Issued in payment of accounts payable	3,913,044	450,000	-	-
Issued following exercise of options	840,000	176,400	740,000	155,400
Issued following exercise of warrants	2,050,204	623,954	200,000	66,000
Total of shares issued and paid at end of year	83,967,032	14,966,422	73,009,784	11,825,988
Shares to be issued in payment of accounts payable	1,739,130	200,000	-	-
Balance at end of year	85,706,162	$ 15,166,422	73,009,784	$ 11,825,988

Options

As at December 31, 1997, under the share option plan, certain directors, officers, employees and consultants of the company hold 3,649,000 share purchase options (1996 - 3,140,000) which can be exercised at prices ranging from $0.21 to $0.53 per share (average price of $0.33) and expire between February 1999 and June 2002.

	1997	1996
Balance at beginning of year	3,140,000	3,200,000
Granted	1,349,000	680,000
Exercised	(840,000)	(740,000)
Balance at end of year	3,649,000	3,140,000
Average exercise price of outstanding options	$ 0.33	$ 0.25

Warrants

Under agreements entered into with various investors, there was as at December 31, 1997 3,592,200 warrants issued (1996 - 4,429,550), of which 2,077,000 were issued in 1997. These warrants entitle their holders to subscribe to an equivalent number of common shares at prices ranging from $0.43 to $0.71 per share (average price of $0.53) and expire between January 1998 and November 1998.

	1997	1996
Balance at beginning of year	4,429,550	4,150,000
Granted	2,077,000	4,429,550
Exercised	(2,050,204)	(200,000)
Canceled or expired	(864,146)	(3,950,000)
Balance at end of year	3,592,200	4,429,550
Average exercise price of outstanding warrants	$ 0.53	$ 0.35

8. Income taxes

As at December 31, 1997, the cost for income tax purposes of the mining assets, investments and capital assets totalled approximately $3,944,000. The difference between this cost and the amount capitalized in the financial statements arises mainly as a result of the tax benefits related to some exploration expenses being renounced to subscribers. For Brazilian tax purposes, the cost for income tax purposes of the mining assets is $1,343,000.

The company has accumulated non-capital losses of approximately $2,187,000. These losses will expire between 1999 and 2004.

The unamortized balance for tax purposes of share issue expenses amounting to approximately $493,000 will be deductible over the next four years.

The potential tax effects of these items are not reflected in the financial statements.

9. Related party transactions

(a) During the year, the company was charged $110,000 (1996 - $100,000) for premises and administrative services by a related company.

(b) During the year, related companies controlled by directors of the company charged $243,124 for professional fees charged to exploration expenses and acquisition cost.

(c) During 1996, the company entered into an agreement with KWG in order to increase its interest in Spider #1, #2 and #3 to 50%. Starting in 1997, the company provides all exploration funds on these projects up to the amount incurred by KWG since 1992 on these projects.

Corporate Information

Norman E. Brewster
President, Chief Executive Officer and Director

Neil Novak
Vice-President, Exploration and Director

Peter Purcell*
Director

Donald A. MacFadyen
Director

A.J.A. (Bram) Janse*
Director

Mousseau Tremblay*
Director

Pierre R. Gauthier
Vice-President, Corporate Development

Luce L. Saint-Pierre
Secretary

Martine Valcin
Assistant Secretary

* Member of the Audit Committee

Annual Meeting
The Annual Meeting of Shareholders of Spider Resources Inc. will be held on May 21, 1998 at 03:00 p.m. in the St-Laurent Room, 630 René-Lévesque Blvd. West, 16th Floor, in Montreal.

Solicitors
Lapointe Rosenstein
1250 René-Lévesque Blvd. West
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Montreal, Quebec
H3B 5E9

Auditors
Price Waterhouse
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H3B 2G4

Registrar and Transfer Agent
Montreal Trust Company
Place Montréal Trust
1800 McGill College Avenue
Montreal, Quebec
H3A 3K9

Exchange Listing
Alberta Stock Exchange
Symbol: SPQ

Cusip
84844C 10 7

Terms
All amounts stated, unless otherwise specified, in this report are in Canadian dollars, and all quantities are in metric tonnes (2,204.6 pounds).

Annual Report
Additional copies of this report may be obtained upon written request to:
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