

**British Columbia
Securities Commission**

QUARTERLY REPORT

Form 61 –Schedule A, B and C

Name of Issuer – FM Resources Corp.

For Quarter Ended – December 31, 1998

Date of Report – May 19, 1999

Issuer’s Address - 9th Floor – 609 West Hastings Street, Vancouver, B.C. V6B 4W4

Issuer’s Fax No. - (604) 687-4862

Issuer’s Telephone No. - (604) 687-1134

Contact Person – Mike Bourdeau

Contact’s Position - President

Contact Telephone No. – (604) 687-1134

CERTIFICATE

The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

Director’s Signature – “Mike Bourdeau” – Mike Bourdeau – May 19, 1999

Director’s Signature – “Luard Manning” – Luard Manning – May 19, 1999

FM Resources Corp.

Schedule B

Supplementary Information (*expressed in Canadian dollars*)

December 31, 1998

Section 1

The fiscal year to date aggregate amount of expenditures made to parties not at arm's length from the issuer amounted to \$129,318. This was paid to two related companies each controlled by a director of the Company and for legal fees paid to an officer.

Section 2

a) Summary of securities issued during the quarter:

<u>Issue Date</u>	<u>Type of Security</u>	<u>Type of Issue</u>	<u>Number of shares</u>	<u>Price</u>	<u>Total Proceeds</u>	<u>Type of Consideration</u>
Dec 31/98	Common	Investment contract conversion	625	\$40.00	\$25,000	Cash

a) There were no options granted during the quarter:

Section 3

a) Particulars of Authorized Capital as at December 31, 1998

<u>Class</u>	<u>Par Value</u>	<u>Number Authorized</u>	<u>Number Issued</u>	<u>Total Consideration</u>
Common	Nil	100,000,000	2,324,024	\$13,280,998

a) Summary of options and warrants outstanding at December 31, 1998

<u>Security Type</u>	<u>Number Outstanding</u>	<u>Price</u>	<u>Expiry Date</u>
Warrants	36,092	\$ 5.20	May 14, 1999
Warrants	1,111	\$ 5.20	October 29, 1999
Warrants	545,866	\$ 0.30	May 29, 2000
Options	62,500	\$ 6.00	October 8, 2002
Options	30,500	\$ 3.00	November 14, 2002

a) There was an aggregate total of 18,747 held in escrow at December 31, 1998

b) Directors:

Mike Bourdeau	Maple Ridge, B.C.
Peter Bryant	Vancouver, B.C.
Luard J Manning	North Vancouver, B.C.

William B Horie
Alan Hubick

Richmond, B.C.
Victoria, B.C.

MANAGEMENT DISCUSSION

The persistent weakness of the gold markets continues to hamper the expedient development of the Mt. Freegold properties. Management is still confident however, that these holdings will at some point present sufficient upside potential so as to support further extensive development. We believe that the operating plans and mining methods conceived to date are still quite valid and represent the most feasible approach to the challenges presented by these properties. While remaining cognizant of the difficulties imposed by the current market environment, Management remains committed to the responsible development of the Company's holdings in the Mt. Freegold area.

During much of the 1998 fiscal period, the Company addressed the task of responding before the courts to some legal concerns expressed by a dissident group of shareholders. This matter has been described in previous news releases. On December 18, 1998, the Supreme Court of British Columbia found in favour of the Company and dismissed the case.

Y2K COMPLIANCE

The company has assessed its vulnerability to the Year 2000 ("Y2K") issue in all aspects of its business from the financial information systems to any foreseeable mechanical applications at its remote sites. A preliminary assessment suggests that there is no critical reliance on computer systems or programs that would expose the Company to any substantial Y2K problem. Dialogue and correspondence with our major suppliers indicates that their compliance programs are sufficiently advanced so as to pose little concern to the Company. The Company believes that its exposure is minimal and that the cost of addressing this issue is not significant. Because of the potentially pervasive nature of the potential difficulties posed by system failures beyond the Company's control, it is not possible however to gauge with certainty, the ultimate impact on the operations and or financial reporting capabilities of the Company.

SUBSEQUENT EVENTS

In an effort to improve the Company's bottom line on behalf of the shareholders, management undertook a debt reduction campaign in January of 1999. Successful negotiations with a number of our suppliers have enabled the Company to achieve a debt reduction of approximately \$45,000. Efforts aimed at additional improvements to the Company's financial position continue.

On February 17, 1999 BYG were directed by the Water Resources Branch of the Department of Indian Affairs and Northern Development to cease milling operations at the Mt. Nansen site in response to some environmental concerns. Subsequent to these developments, BYG

appointed a Receiver-Manager to oversee the affairs of BYG Natural Resources Inc. effective March 23, 1999. As FM Resources Corp. envisages utilizing the Mt. Nansen facilities to “custom mill” Mt. Freegold ore, this suspension of operations will necessitate adjustments to the Company’s near term approach to the development of the Mt. Freegold properties.