

# Consolidated Balance Sheets

in thousands of US dollars

|  | March 31,<br>1999<br><u>(unaudited)</u> | December 31,<br>1998<br><u>(note 1)</u> |
|--|---|---|
| <b>Assets</b>                                |   |   |
| <b>Current assets</b>                        |   |   |
| Cash and short term investments              | 6,562                                   | 7,794                                   |
| Restricted cash                              | 2,000                                   | 12,863                                  |
| Investments in marketable securities         | 402                                     | 348                                     |
| Bullion settlements receivable               | 1,934                                   | 1,700                                   |
| Other receivables                            | 1,115                                   | 1,741                                   |
| Hedging program                              | 3,400                                   | –                                       |
| Inventories                                  | 9,600                                   | 8,988                                   |
|  | <u>25,013</u>                           | <u>33,434</u>                           |
| <b>Plant, property and equipment</b>         | 32,000                                  | 45,016                                  |
| <b>Other assets</b>                          | <u>58</u>                               | <u>2,913</u>                            |
|  | <b><u>57,071</u></b>                    | <b><u>81,363</u></b>                    |
| <b>Liabilities</b>                           |   |   |
| <b>Current liabilities</b>                   |   |   |
| Accounts payable                             | 9,623                                   | 7,063                                   |
| Bank loan – current                          | 6,000                                   | 16,190                                  |
| Capital lease obligation – current           | 1,495                                   | 3,376                                   |
| Convertible debentures – liability – current | –                                       | 2,415                                   |
|  | <u>17,118</u>                           | <u>29,044</u>                           |
| <b>Bank loan</b>                             | –                                       | 1,667                                   |
| <b>Capital lease obligation</b>              | 6,355                                   | 5,319                                   |
| <b>Convertible debentures – liability</b>    | –                                       | 12,404                                  |
| <b>Accrued closure costs</b>                 | <u>1,774</u>                            | <u>1,363</u>                            |
|  | <u>8,129</u>                            | <u>20,753</u>                           |
| <b>Shareholders' Equity</b>                  |   |   |
| Share capital                                | 31,824                                  | 59,251                                  |
| Convertible debentures – equity              | –                                       | 48,210                                  |
| Retained earnings (deficit)                  | –                                       | (75,895)                                |
|  | <u>31,824</u>                           | <u>31,566</u>                           |
|  | <b><u>57,071</u></b>                    | <b><u>81,363</u></b>                    |

## Consolidated Income Statements

in thousands of US dollars

|   | Three months ended       |           |
|---|--------------------------|-----------|
|   | March 31                 |           |
|   | 1999                     | 1998      |
|   | (unaudited - see note 1) |           |
| <b>Revenues</b>   |                          |           |
| Sales   | 10,192                   | 6,658     |
| <b>Cost of sales</b>  |                          |           |
| Operating costs   | 6,458                    | 4,663     |
| Depreciation, depletion and amortization  | 2,180                    | 1,487     |
|   | 8,638                    | 6,150     |
|   | 1,554                    | 508       |
| <b>Expenses</b>   |                          |           |
| Amortization of deferred financing costs  | 115                      | 114       |
| Exploration   | 66                       | 78        |
| Foreign exchange  | (109)                    | 424       |
| General and administrative  | 560                      | 1,497     |
| Interest expense  | 608                      | 1,184     |
| Interest income   | (96)                     | (577)     |
|   | 1,144                    | 2,720     |
| <b>Net income (loss) for the period</b>   | 410                      | (2,212)   |
| <b>Per share:</b>   |                          |           |
| Loss per share, after effect of equity accretion<br>on the convertible debentures | \$ (0.02)                | \$ (0.08) |

## Consolidated Statement of Shareholders' Equity

in thousands of US dollars

(unaudited - see note 1)

|  | Share capital | Convertible<br>debentures—<br>equity | Retained<br>earnings<br>(deficit) | Total         |
|--|---------------|--------------------------------------|-----------------------------------|---------------|
| At December 31, 1998                           | 59,251        | 48,210                               | (75,895)                          | 31,566        |
| Debenture equity accretion during period       | —             | 1,029                                | (1,029)                           | —             |
| Net income for the period                      | —             | —                                    | 410                               | 410           |
| Restructuring costs                            | (950)         | —                                    | —                                 | (950)         |
| Reallocated to share capital for "fresh start" | (76,514)      | —                                    | 76,514                            | —             |
| Revaluation adjustment for "fresh start"       | 50,037        | (49,239)                             | —                                 | 798           |
| <b>At March 31, 1999</b>                       | <b>31,824</b> | <b>—</b>                             | <b>—</b>                          | <b>31,824</b> |

# Consolidated Statements of Cash Flow

in thousands of US dollars

|   | Three months ended       |                      |
|---|--------------------------|----------------------|
|   | March 31                 |                      |
|   | 1999                     | 1998                 |
|   | (unaudited - see note 1) |                      |
| <b>Net income (loss) for the period</b>                                   | 410                      | (2,212)              |
| Adjustment to reconcile net income (loss) to cash provided by operations: |                          |                      |
| Depletion, depreciation and amortization                                  | 2,180                    | 1,487                |
| Amortization of deferred financing costs                                  | 115                      | 114                  |
| Amortization of deferred foreign exchange                                 | -                        | 242                  |
| Amortization of other assets  | 8                        | 7                    |
| <b>Cash flow from operations</b>  | <u>2,713</u>             | <u>(362)</u>         |
| Bullion settlements receivable  | (234)                    | (12)                 |
| Other receivables   | 114                      | (88)                 |
| Inventories   | (4)                      | (1,190)              |
| Accounts payable  | (341)                    | (1,382)              |
| <b>Cash flow provided by (used for) operating activities</b>              | <u>2,248</u>             | <u>(3,034)</u>       |
| <b>INVESTING ACTIVITIES</b>   |                          |                      |
| Purchases of property, plant and equipment                                | (339)                    | (1,701)              |
| Deferred stripping  | (1,400)                  | (1,110)              |
| Other assets  | 50                       | (44)                 |
| Accrued liabilities   | 53                       | 52                   |
| <b>Cash flow used for investing activities</b>                            | <u>(1,636)</u>           | <u>(2,803)</u>       |
| <b>FINANCING ACTIVITIES</b>   |                          |                      |
| Restricted cash   | 10,857                   | 10,056               |
| Principal repayments of bank loan   | (11,857)                 | (13,444)             |
| Principal repayments of capital lease                                     | (844)                    | (646)                |
| <b>Cash flow used for financing activities</b>                            | <u>(1,844)</u>           | <u>(4,034)</u>       |
| <b>Net decrease in cash</b>   | (1,232)                  | (9,871)              |
| <b>Cash, beginning of period</b>  | <u>7,794</u>             | <u>47,523</u>        |
| <b>Cash, end of period</b>  | <u><u>6,562</u></u>      | <u><u>37,652</u></u> |
| <b>Per share:</b>   |                          |                      |
| Cash flow from operations - basic   | \$ 0.07                  | \$ (0.01)            |
| Cash flow from operations - fully diluted                                 | \$ 0.01                  | \$ (0.01)            |

## 1. Basis of presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable in Canada.

### a. Change in reporting currency

The consolidated financial statements have historically been expressed in Canadian dollars. As a result of sales revenues and a significant portion of expenses, assets and debt being denominated in, or determined with reference to, United States dollars, the US dollar has become the principal currency of the Company's business. Accordingly, the US dollar has been adopted as the reporting currency and the currency of measurement effective January 1, 1999.

The comparative financial statements for prior periods have been translated into United States dollars using a translation of convenience at the January 1, 1999 rate of US\$1.00 to Cdn\$1.5310.

### b. Reorganization of the Company's debt and "fresh start" accounting

On March 31, 1999 the Company completed a financial restructuring in which all of the convertible debentures of the Company were converted into 310,500,000 common shares of the Company. This has been reflected in the financial statements as a financial reorganization in accordance with generally accepted accounting principles. As a result of this restructuring, the Company's assets and liabilities have been subject to a comprehensive revaluation and the balance sheet has been prepared on a "fresh start" basis as at March 31, 1999.

Under this basis of presentation the only statement required is a balance sheet at March 31, 1999. However, a balance sheet at December 31, 1998, a statement of shareholders' equity at March 31, 1999, a comparative income statement, a comparative statement of cash flow, and segmented information for the three month period ended March 31, 1999 have been presented to facilitate the assessment of certain elements of operating performance. These additional statements do not reflect any of the adjustments required to record the "fresh start".

## 2. Segmented information

The company operates in one business segment, gold mining.

|  | <u>Canada</u> | <u>Chile</u> | <u>Total</u> |
|--|---------------|--------------|--------------|
| Total assets                               | \$ 11,558     | \$ 45,513    | \$ 57,071    |
| Capital assets                             | –             | 32,000       | 32,000       |
| Purchases of property, plant and equipment | –             | 339          | 339          |
| Depreciation, depletion and amortization   | –             | 2,180        | 2,180        |
| Gold sales revenue                         | 1,068         | 9,124        | 10,192       |
| Interest income                            | 79            | 17           | 96           |
| Interest expense                           | 284           | 324          | 608          |
| Net income (loss)                          | 298           | 112          | 410          |