

Consolidated Balance Sheets

in thousands of US dollars

	June 30 1999	March 31 1999	December 31 1998
	(unaudited)	(unaudited)	(note 1a)
Assets			
Current assets			
Cash and short term investments	3,891	6,562	7,794
Restricted cash	2,000	2,000	12,863
Investments in marketable securities	402	402	348
Bullion settlements receivable	1,395	1,934	1,700
Other receivables	1,021	1,115	1,741
Gold contracts	2,182	3,400	–
Inventories	8,511	9,600	8,988
	<u>19,402</u>	<u>25,013</u>	<u>33,434</u>
Property, plant and equipment	31,187	32,000	45,016
Other assets	<u>82</u>	<u>58</u>	<u>2,913</u>
	<u>50,671</u>	<u>57,071</u>	<u>81,363</u>
Liabilities			
Current liabilities			
Accounts payable	5,004	9,623	7,063
Bank loan	5,000	6,000	16,190
Capital lease obligation	1,495	3,375	3,376
Convertible debentures – liability	–	–	2,415
	<u>11,499</u>	<u>18,998</u>	<u>29,044</u>
Bank loan	–	–	1,667
Capital lease obligation	5,981	4,475	5,319
Convertible debentures – liability	–	–	12,404
Accrued closure costs	<u>1,800</u>	<u>1,774</u>	<u>1,363</u>
	<u>7,781</u>	<u>6,249</u>	<u>20,753</u>
Shareholders' Equity			
Share capital	31,824	31,824	59,251
Convertible debentures – equity	–	–	48,210
Deficit	<u>(433)</u>	<u>–</u>	<u>(75,895)</u>
	<u>31,391</u>	<u>31,824</u>	<u>31,566</u>
	<u>50,671</u>	<u>57,071</u>	<u>81,363</u>

Consolidated Income Statements

in thousands of US dollars
(unaudited)

	Post	Pre Reorganization		
	Reorganization (note 1b)	(note 1b)		
	Three months ended	Three months ended	Six months ended	Three months ended
	June 30	March 31	June 30	June 30
	1999	1999	1998	1998
Revenues				
Sales (note 2)	10,120	10,182	12,505	5,844
Cost of sales				
Operating costs	7,554	6,448	9,614	4,948
Depreciation, depletion and amortization	2,120	2,180	3,029	1,542
	9,674	8,628	12,643	6,490
	446	1,554	(138)	(646)
Expenses				
Amortization of deferred financing costs	–	115	370	256
Exploration	25	66	529	451
Foreign exchange	(187)	(109)	(581)	(1,005)
General and administrative	806	560	3,120	1,623
Interest expense	305	608	2,235	1,051
Interest income	(70)	(96)	(1,033)	(456)
	879	1,144	4,640	1,920
Net income (loss) for the period	(433)	410	(4,778)	(2,566)
Per share:				
Loss per share	\$ –	\$ (0.02)	\$ (0.17)	\$ (0.09)

Consolidated Statement of Shareholders' Equity

in thousands of US dollars
(unaudited)

	Share capital	Convertible debentures – equity	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 (loss) 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
At March 31, 1999	31,824	–	–	31,824
Net loss for the period	–	–	(433)	(433)
At June 30, 1999	31,824	–	(433)	31,391

Consolidated Statements of Cash Flow

in thousands of US dollars
(unaudited)

	Post Reorganization	Pre Reorganization		
	Three months ended June 30 1999	Three months ended March 31 1999	Six months ended June 30 1998	Three months ended June 30 1998
Net income (loss) for the period	(433)	410	(4,778)	(2,566)
Adjustment to reconcile net income (loss) to cash provided by operations:				
Depletion, depreciation and amortization	2,120	2,180	3,029	1,542
Amortization of deferred financing costs	–	115	370	256
Amortization of deferred foreign exchange	–	–	935	693
Amortization of other assets	4	8	15	8
Amortization of gold contracts	1,218	–	–	–
Cash flow from operations	<u>2,909</u>	<u>2,713</u>	<u>(429)</u>	<u>(67)</u>
Bullion settlements receivable	539	(234)	286	298
Other receivables	94	114	641	729
Inventories	1,089	(4)	(2,670)	(1,480)
Accounts payable	(4,618)	(341)	(1,202)	180
Cash flow provided by (used for) operating activities	<u>13</u>	<u>2,248</u>	<u>(3,374)</u>	<u>(340)</u>
INVESTING ACTIVITIES				
Purchases of marketable securities	–	–	(327)	(327)
Purchases of property, plant and equipment	(207)	(339)	(3,186)	(1,485)
Deferred stripping	(1,100)	(1,400)	(2,980)	(1,870)
Other assets	(29)	50	83	127
Accrued closure costs	26	53	125	73
Cash flow used for investing activities	<u>(1,310)</u>	<u>(1,636)</u>	<u>(6,285)</u>	<u>(3,482)</u>
FINANCING ACTIVITIES				
Restricted cash	–	10,857	9,877	(179)
Principal repayments of bank loan	(1,000)	(11,857)	(16,779)	(3,335)
Principal repayments of capital lease	(374)	(844)	(1,399)	(753)
Cash flow used for financing activities	<u>(1,374)</u>	<u>(1,844)</u>	<u>(8,301)</u>	<u>(4,267)</u>
Net decrease in cash	(2,671)	(1,232)	(17,960)	(8,089)
Cash, beginning of period	<u>6,562</u>	<u>7,794</u>	<u>47,523</u>	<u>37,652</u>
Cash, end of period	<u><u>3,891</u></u>	<u><u>6,562</u></u>	<u><u>29,563</u></u>	<u><u>29,563</u></u>
Per share:				
Cash flow from operations - basic	\$ 0.01	\$ 0.07	\$ (0.01)	\$ (0.00)
Cash flow from operations - fully diluted	\$ 0.01	\$ 0.05	\$ (0.01)	\$ (0.00)

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 December 31, 1998 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 comparative statements for prior periods would not be required. However, to facilitate the assessment of certain elements of operating performance, a balance sheet at December 31, 1998, a statement of shareholders' equity, a comparative income statement, and a comparative statement of cash flow for each of the three month periods ended March 31, 1999 and March 31, 1998 and the six month period ended June 30, 1998 have been presented. Segmented information for the three month period ended March 31, 1999 has also been presented. The comparative information does not reflect any of the adjustments required to record the "fresh start".

2. Revenue

	Post	Pre Reorganization		
	Reorganization	Three months	Six months ended	Three months
	Three months	ended	ended	ended
	June 30	March 31	June 30	June 30
	1999	1999	1998	1998
Gold sales	10,110	9,302	10,301	5,373
Gold contract proceeds	1,449	1,069	2,298	518
Royalties	(221)	(189)	(94)	(47)
	11,338	10,182	12,505	5,844
Accounting adjustments:				
Amortization of gold contracts	(1,218)	—	—	—
Sales	10,120	10,182	12,505	5,844

As a result of the "fresh start" accounting referred to in note 1, the Company's hedging contracts were recognized as an asset at March 31, 1999 at their estimated fair value of \$3,400,000. These gold contracts expire at various dates to December 31, 1999 and are being recognized over the life of the original contracts.

3. Segmented information

The Company operates in one business segment, gold mining.

	As at June 30, 1999					
	Canada	Chile	Total			
Total assets	7,153	43,518	50,671			
Property, plant & equipment	–	31,187	31,187			
	Post-Reorganization			Pre-Reorganization		
	Three months ended June 30, 1999			Three months ended March 31, 1999		
	Canada	Chile	Total	Canada	Chile	Total
Purchases of PP&E	–	207	207	–	339	339
DD&A	–	2,120	2,120	–	2,180	2,180
Gold sales revenue	231	9,889	10,120	1,068	9,114	10,182
Interest income	55	15	70	79	17	96
Interest expense	–	305	305	284	324	608
Net income (loss)	(340)	(93)	(433)	298	112	410