

## Consolidated Balance Sheets

in thousands of US dollars

	<b>Sep 30</b>	<b>Dec 31</b>
	<b>1999</b>	<b>1998</b>
	(unaudited)	(note 1a)
<b>Assets</b>		
<b>Current assets</b>		
Cash and short term investments	5,054	7,794
Restricted cash	2,000	12,863
Investments in marketable securities	402	348
Bullion settlements receivable	957	1,700
Other receivables	1,070	1,741
Gold contracts	1,027	–
Inventories	8,866	8,988
	<u>19,376</u>	<u>33,434</u>
<b>Property, plant and equipment</b>	30,637	45,016
<b>Other assets</b>	61	2,913
	<u><b>50,074</b></u>	<u><b>81,363</b></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	5,395	7,063
Bank loan	3,333	16,190
Capital lease obligation	1,495	3,376
Convertible debentures – liability	–	2,415
	<u>10,223</u>	<u>29,044</u>
<b>Bank loan</b>	–	1,667
<b>Capital lease obligation</b>	5,608	5,319
<b>Convertible debentures – liability</b>	–	12,404
<b>Accrued closure costs</b>	1,925	1,363
	<u>7,533</u>	<u>20,753</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b>	31,824	59,251
<b>Convertible debentures – equity</b>	–	48,210
<b>Retained earnings (deficit)</b>	494	(75,895)
	<u>32,318</u>	<u>31,566</u>
	<u><b>50,074</b></u>	<u><b>81,363</b></u>

## Consolidated Income Statements

in thousands of US dollars  
(unaudited)

	Post Reorganization (note 1b)		Pre Reorganization (note 1b)		
	Three months ended	Six months ended	Three months ended	Nine months ended	Three months ended
	Sep 30 1999	Sep 30 1999	Mar 31 1999	Sep 30 1998	Sep 30 1998
<b>Revenues</b>					
Sales (note 2)	8,990	19,110	10,182	20,276	7,771
<b>Cost of sales</b>					
Operating costs	6,381	13,935	6,448	15,206	5,592
Depreciation, depletion and amortization	1,128	3,248	2,180	5,084	2,055
	7,509	17,183	8,628	20,290	7,647
	1,481	1,927	1,554	(14)	124
<b>Expenses</b>					
Amortization of deferred financing costs	–	–	115	518	148
Exploration	–	25	66	555	26
Foreign exchange	(52)	(239)	(109)	(5)	576
General and administrative	425	1,231	560	3,967	847
Interest expense	256	561	608	3,215	980
Interest income	(75)	(145)	(96)	(1,368)	(335)
	554	1,433	1,144	6,882	2,242
<b>Net income (loss) for the period</b>	<b>927</b>	<b>494</b>	<b>410</b>	<b>(6,896)</b>	<b>(2,118)</b>
<b>Per share:</b>					
Net income (loss) per share	\$ 0.00	\$ 0.00	\$ (0.02)	\$ (0.24)	\$ (0.07)

## Consolidated Statement of Shareholders' Equity

in thousands of US dollars  
(unaudited)

	Share capital	Convertible debentures – equity	Retained earnings (Deficit)	Total
<b>At December 31, 1998</b>	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>	31,824	–	–	31,824
Net income for the period	–	–	494	494
<b>At September 30, 1999</b>	<b>31,824</b>	<b>–</b>	<b>494</b>	<b>32,318</b>

## Consolidated Statements of Cash Flow

in thousands of US dollars  
(unaudited)

	Post Reorganization		Pre Reorganization		
	Three months ended Sep 30 1999	Six months ended Sep 30 1999	Three months ended Mar 31 1999	Nine months ended Sep 30 1998	Three months ended Sep 30 1998
<b>Net income (loss) for the period</b>	927	494	410	(6,896)	(2,118)
Adjustment to reconcile net income (loss) to cash provided by operations:					
Depletion, depreciation and amortization	1,128	3,248	2,180	5,084	2,055
Foreign exchange	(52)	(239)	–	–	–
Amortization of deferred financing costs	–	–	115	518	148
Amortization of deferred foreign exchange	–	–	–	1,928	993
Amortization of other assets	3	7	8	28	13
Amortization of gold contracts	1,155	2,373	–	–	–
<b>Cash flow from operations</b>	<b>3,161</b>	<b>5,883</b>	<b>2,713</b>	<b>662</b>	<b>1,091</b>
Bullion settlements receivable	438	977	(234)	606	320
Other receivables	(49)	45	114	1,036	395
Inventories	(355)	734	(4)	(2,676)	(6)
Accounts payable	389	(4,229)	(341)	(2,094)	(892)
<b>Cash flow provided by operating activities</b>	<b>3,584</b>	<b>3,410</b>	<b>2,248</b>	<b>(2,466)</b>	<b>908</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of marketable securities	–	–	–	(327)	–
Purchases of property, plant and equipment	(110)	(317)	(339)	(5,021)	(1,835)
Settlements with contractors	733	733	–	–	–
Deferred stripping	(1,200)	(2,300)	(1,400)	(4,507)	(1,527)
Other assets	19	(10)	50	256	173
Accrued closure costs	125	151	53	253	128
<b>Cash flow used for investing activities</b>	<b>(433)</b>	<b>(1,743)</b>	<b>(1,636)</b>	<b>(9,346)</b>	<b>(3,061)</b>
<b>FINANCING ACTIVITIES</b>					
Restricted cash	–	–	10,857	(1,715)	(11,592)
Principal repayments of bank loan	(1,667)	(2,667)	(11,857)	(20,250)	(3,471)
Principal repayments of capital lease	(373)	(747)	(844)	(2,205)	(806)
<b>Cash flow used for financing activities</b>	<b>(2,040)</b>	<b>(3,414)</b>	<b>(1,844)</b>	<b>(24,170)</b>	<b>(15,869)</b>
<b>FOREIGN EXCHANGE</b>	<b>52</b>	<b>239</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net increase (decrease) in cash</b>	<b>1,163</b>	<b>(1,508)</b>	<b>(1,232)</b>	<b>(35,982)</b>	<b>(18,022)</b>
<b>Cash, beginning of period</b>	<b>3,891</b>	<b>6,562</b>	<b>7,794</b>	<b>47,523</b>	<b>29,563</b>
<b>Cash, end of period</b>	<b>5,054</b>	<b>5,054</b>	<b>6,562</b>	<b>11,541</b>	<b>11,541</b>
<b>Per share:</b>					
Cash flow from operations - basic	\$ 0.01	\$ 0.02	\$ 0.07	\$ 0.02	\$ 0.03
Cash flow from operations - fully diluted	\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.01	\$ 0.02

## 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 certain prior periods 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 Reorganization		Pre Reorganization		
	Three months ended Sep 30 1999	Six months ended Sep 30 1999	Three months ended Mar 31 1999	Nine months ended Sep 30 1998	Three months ended Sep 30 1998
Gold sales	8,772	18,882	9,302	17,408	7,107
Gold contract proceeds	1,561	3,010	1,069	3,022	724
Royalties	(188)	(409)	(189)	(154)	(60)
	<b>10,145</b>	<b>21,483</b>	<b>10,182</b>	<b>20,276</b>	<b>7,771</b>
Accounting adjustments:					
Amortization of gold contracts	(1,155)	(2,373)	-	-	-
<b>Sales</b>	<b>8,990</b>	<b>19,110</b>	<b>10,182</b>	<b>20,276</b>	<b>7,771</b>

As a result of the "fresh start" accounting referred to in note 1, the Company's gold 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 against revenue over the life of the original contracts.

At September 30, 1999 the Company's gold contracts consisted of 21,000 ounces of put options at \$340 per ounce expiring at various dates during the fourth quarter of 1999. Subsequent to September 30, 1999, these put options and certain spot deferred contracts were closed out and the Company entered into a program of spot deferred contracts consisting of 30,000 ounces at prices from \$301 to \$304 per ounce, maturing at various dates from November 1999 to January 2000.

### 3. Segmented information

The Company operates in one business segment, gold mining.

	As at September 30, 1999			Pre-Reorganization		
	Canada	Chile	Total	Three months ended March 31, 1999		
				Canada	Chile	Total
Total assets	7,248	42,826	50,074			
Property, plant & equipment	–	30,637	30,637			
	Post-Reorganization			Pre-Reorganization		
	Six months ended September 30, 1999			Three months ended March 31, 1999		
	Canada	Chile	Total	Canada	Chile	Total
Purchases of PP&E	–	273	273	–	339	339
DD&A	–	3,248	3,248	–	2,180	2,180
Gold sales revenue	637	18,473	19,110	1,068	9,114	10,182
Interest income	113	32	145	79	17	96
Interest expense	–	561	561	284	324	608
Net income (loss)	(198)	692	494	298	112	410