DAYTON

Dayton Mining Corporation 2000 Annual Report

2000 HIGHLIGHTS

- *Andacollo Project Debt Retired*
- *Purchase of El Dorado Gold Project*
- *Acquisition of 49% of Denton-Rawhide Mine*
- *CDN $9M Equity Financing*
- *Production of – 121,734 oz gold*
  – 307,226 oz silver

CHAIRMAN'S REPORT

2000 started off on a very positive note. Building upon a successful year at Andacollo in 1999 and the elimination of its project debt in January 2000, your Company was on track to achieve its goal of growth through the acquisition of additional operating and development properties. The efforts undertaken in dealing with the Convertible Debenture, project debt, and production problems were finally starting to pay off.

With gold at levels slightly above $310 per ounce and a much stronger balance sheet, Dayton was poised for its first growth transaction. This objective was achieved on April 1, 2000 with the purchase of a 49% interest in the Denton-Rawhide Mine in Nevada and the acquisition of all the outstanding shares of Mirage Resource Corporation, owner of the advanced El Dorado development project in El Salvador. These transactions were packaged with a US$5.9M equity financing.

Unfortunately, the gold price moved from the $310 range when discussions on these transactions started to the $256 level at the time of writing. This had a major impact on the viability of the Andacollo Mine, which also experienced lower than expected production during the third quarter. As a result of these issues and analyzing the future revenue risks going forward, a decision was taken in late September to suspend mining and crushing operations while continuing to recover gold from rinsing the leach pad. In early December, a full shutdown was announced in conjunction with a creditors' plan to attempt to satisfy all outstanding commitments of Compañia Minera Dayton, Dayton's Chilean subsidiary.

On a positive note, a very successful $1,000,000 exploration program was conducted on the El Dorado high grade gold property in El Salvador. The thirteen hole program successfully filled in gaps in previous information resulting in a much improved understanding of the potential of the previously explored Minita vein system. The new data was added to previous information and a mine plan was developed. Also, metallurgical testing confirmed the expected high rates of metal recovery.

The high grade portion of the El Dorado resource would be viable at current metal prices. However, it is unlikely that development financing could be obtained, given the general lack of interest in the junior gold sector. Going forward, Dayton will attempt to source funding to expand the high grade resource potential alone, or through the involvement of other parties.

Negotiations with the government of El Salvador for changes to the Mining Code resulted in new draft legislation that was scheduled to be presented to Congress in April 2001. These changes deal favourably with exploration licence timelines, royalty rates, and size of concessions. The El Salvador government has been extremely supportive of the El Dorado project.

The 49% interest in the Denton-Rawhide Mine, acquired in April 2000 resulted in a small cash drain for Dayton in 2000. This operation is being very well operated by Kennecott Mining Corporation and provides Dayton with continued leverage to gold and silver prices over the next few years.

FINANCIAL

Consolidated production for the year was 121,734 ounces of gold and 307,226 ounces of silver. This production is comprised of eleven months of production from Andacollo (84,028 ounces of gold and 23,430 ounces of silver) and nine months of production (37,706 ounces of gold and 283,796 ounces of silver) from Denton-Rawhide. The Company's interest in the Andacollo Mine was completely written off and de-consolidated on December 1, 2000.

Revenue for the year ending December 31, 2000 was $35.6 million. Net loss before unusual items was $8.7 million and after including the writedown at Andacollo this loss increased to $31.4 million. The Company has no gold hedges in place.

On January 19, 2000 Dayton retired the project debt at the Andacollo mine with a $1.67 million cash payment. On June 16, 2000 Dayton received receipts from the various securities commissions regarding the prospectus prepared for the CDN$9.0 million special warrant financing. The net proceeds of the special warrant financing was CDN$8.64 million.

BOARD OF DIRECTORS & MANAGEMENT

Dayton's Board of Directors started the year with six persons, all part of the group brought in by shareholders in 1998 to change the direction of the company. In April Mr. Bob Buchan and Mr. John Ivany joined the board, in conjunction with the Denton-Rawhide and Mirage transaction. At the Annual General Meeting in May, Mr. Jonathan Goodman also joined the Board. Mr. Herman J. Wilton-Siegel resigned from the board on November 30, 2000 and his position was not refilled. His contribution to the success of the company since 1998 and his dedication to enhancing the Company's viability are recognized and appreciated.

In August 2000 Ms. Diane Garrett, Vice President Investor Relations and Corporate Development left the Company to pursue other opportunities. Her contributions over the last five years were substantial. With the acquisition of the El Dorado property in El Salvador, Mr. Robert Johansing joined Dayton's senior management team.

STRATEGIC DIRECTION

Current market conditions make it very difficult to advance the El Dorado project, the main growth asset for the Company. Your Company is looking at ways to finance further exploration including involving other parties that have expressed an interest in this deposit. The current resource estimates incorporate only five out of the thirty-five veins that have been identified on the El Dorado concession. There is potential for a very large system at El Dorado, but exploration costs will be significant.

Your Company will continue to manage cash resources prudently while at the same time actively seeking opportunities to grow through combination with other companies or acquisition of other assets. Dayton is prepared to look at any and all opportunities, not necessarily restricted to gold. The consolidation that is taking place in the industry has yet to make its way aggressively into the junior gold sector. Dayton's philosophy has been to be an agent of this consolidation by addressing balance sheet issues and strengthening our asset base.

I am pleased to review the Company's activities in 2000.

William H. Myckatyn
Chairman of the Board
President & Chief Executive Officer
March 31, 2001

EL DORADO

Dayton acquired the El Dorado gold project on April 6, 2000 through the acquisition, by a wholly owned Canadian subsidiary of Dayton, of all the outstanding shares of Mirage Resource Corporation. El Dorado and two earlier stage exploration projects, El Paisnal and Potonico, are located in El Salvador, in Central America.

The El Dorado property is a high-grade epithermal vein system, part of which was mined by the New York and El Salvador Mining Company between 1948 and 1953. During its life, the mine delivered a plant feed grade of 9.59 g/t gold and 52.6 g/t silver from underground workings extending from surface to approximately 130 meters below surface. Gold recovery in the plant was approximately 88%. No mining activity has taken place since 1953.

The focus of Dayton's activities since it acquired control of El Dorado has been to explore the deposit at depths below the old mine workings.

During 2000, Dayton spent approximately $1.0 million on El Dorado. The main thrust of the work was:

- *13 HQ – core holes totaling 3,725.2 meters*
- *Update of previously calculated resource*
- *Completion of preliminary mine plan*
- *Metallurgical testing of new core*
- *Review of potential plant and infrastructure sites*
- *Opening and evaluation of original shafts*
- *Re-establishment of environmental baseline monitoring program.*
- *Update of capital cost estimate*

DAYTON

DRILL PROGRAM

The results of the drilling program are shown below:

DRILL RESULTS FROM HOLE NOS. D00-190 TO D00-202

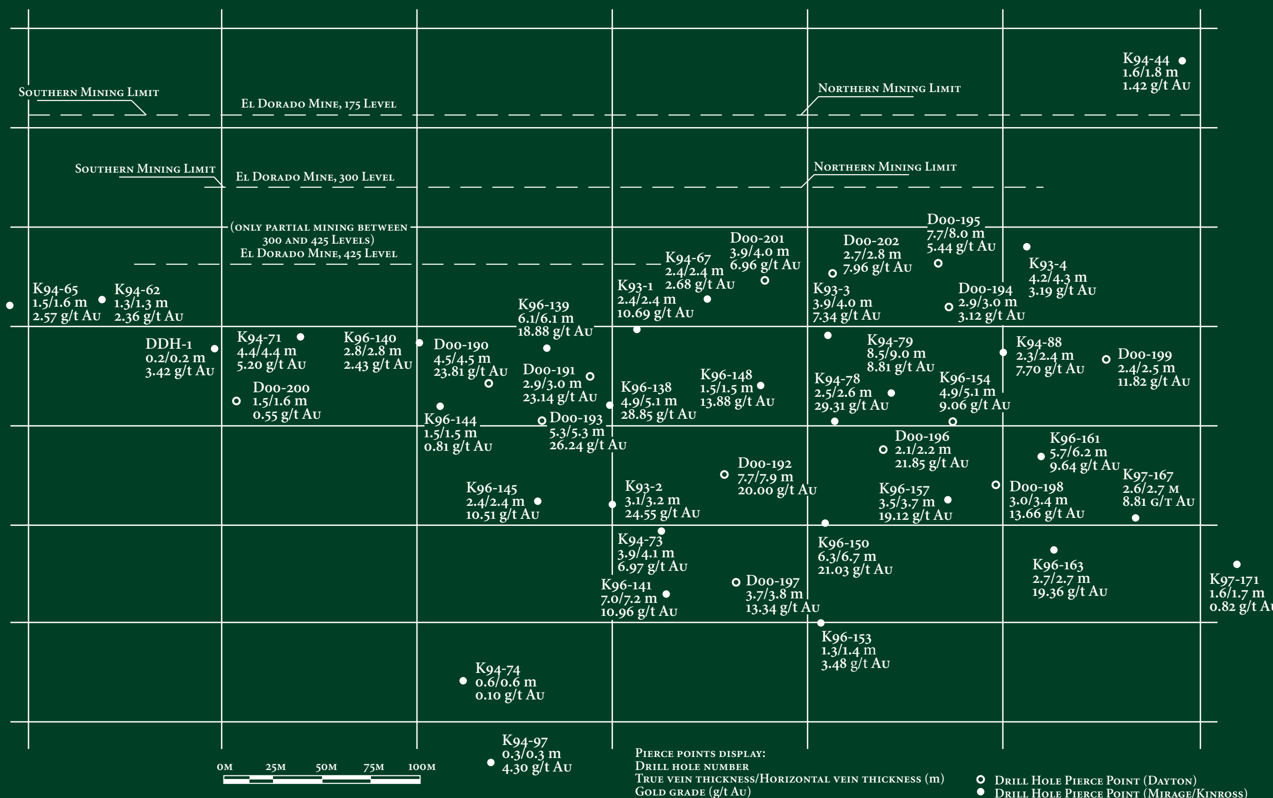
Hole #	Vein	From (m)	To (m)	Downhole Length (m)	True Width (m)	Gold Grade (g/t)	Silver Grade (g/t)
D00-190	Minita	227.80	235.40	7.60	4.57	17.59	151.44
D00-191	Minita	231.20	235.40	4.20	2.92	22.54	242.03
	Minita 3	238.85	240.80	1.95	1.56	11.41	88.68
D00-192	Minita	240.40	252.10	11.70	8.11	20.00	130.10
	Minita 3	274.60	275.05	0.45	0.34	0.56	3.00
D00-193	Minita	248.35	256.20	7.85	5.15	30.34	297.13
D00-194	Minita	174.80	178.90	4.10	2.87	3.48	23.39
	Minita 3	249.95	253.25	3.30	2.44	9.63	68.13
D00-195	Minita	155.95	165.95	10.00	7.71	7.14	57.66
	Minita 3	234.95	237.80	2.85	2.20	10.40	81.33
D00-196	Minita	269.60	272.15	2.55	2.02	21.93	142.53
D00-197	Minita	288.70	294.65	5.95	3.66	13.34	90.13
D00-198	Minita	289.10	292.50	3.40	3.02	13.66	94.33
D00-199	Minita	217.25	220.15	2.90	2.23	12.42	142.54
	Minita 3	268.10	269.50	1.40	1.14	3.21	18.95
D00-200	Minita	268.10	271.85	3.75	2.04	0.55	5.17
D00-201	Minita	175.30	179.85	4.55	3.82	6.96	59.79
	Minita 3	218.95	222.50	3.55	2.95	7.03	72.92
D00-202	Minita	170.90	174.05	3.15	2.81	7.96	64.75
	Minita 3	223.65	227.80	4.15	3.45	7.85	67.18

Drilling was targeted below the lowest level of old workings (285 meter elevation) down to approximately the 100 meter elevation. The program was designed primarily to infill previous intercepts and improve the quality of the resource estimates. Nominal spacing after completion of this program is 50 by 100 meters.

This spacing is sufficient to ensure continuity of grade estimates, but would need to be cut approximately in half to minimize grade estimation variances. No further drilling is planned from surface. Current drill information is sufficient to warrant proceeding with underground access via a decline to enable bulk sampling and mining method evaluations. This work would be an integral part of a full feasibility study. Further drilling would be conducted as part of detailed mine planning.

MINITA VEIN – LONGITUDINAL SECTION, LOOKING WEST

EL DORADO PROJECT – DAYTON MINING CORPORATION (KINROSS EL SALVADOR, S.A. DE C.V.)



RESOURCE UPDATE

Resource updates for the Minita, Minita 3 and Zancudo veins were based on the following gold equivalent parameters:

Gold price:	*$290*	*Gold recovery:*	*92%*
Silver price:	*$5.00*	*Silver recovery:*	*85%*

Based on these parameters and estimated operating costs of $45 to $55 per tonne of ore, gold equivalent cut-off grades for the Minita and Minita3 veins were determined to be 6 g/t. The average widths modeled for the Minita and Minita3 veins were 3.5 and 2.4 meters respectively. Due to the narrower nature of the Zancudo vein (0.75 meters) a cut-off grade of 9 g/t was used.

EL DORADO RESOURCES

		Indicated					Inferred				
					Contained					Contained	
Vein	Gold Equiv. Cut-Off (g/t)	Tonnes	Au (g/t)	Ag (g/t)	Gold Oz.	Silver Oz.	Tonnes	Au (g/t)	Ag (g/t)	Gold Oz.	Silver Oz.
Zancudo	9.0	32,000	12.2	104.2	12,600	107,000	4,200	9.6	66.5	1,300	9,000
Minita	6.0	626,100	14.2	99.6	285,900	2,005,000	103,100	10.9	77.6	36,200	257,000
Minita 3	6.0	141,100	12.0	89.0	54,200	404,000	3,300	8.6	69.5	900	7,000
Sub-total		799,200	13.7	97.9	**352,700**	**2,516,000**	110,600	10.8	76.9	**38,400**	**273,000**
La Coyotera	2.0	1,724,000	5.7	45.9	317,600	2,546,000	273,100	4.7	44.4	40,800	390,000
Nueva Esperanza	2.0	495,400	4.5	29.1	71,800	464,000	395,300	3.0	15.8	38,600	201,000
Total		3,018,600	7.6	56.9	**742,100**	**5,526,000**	779,000	4.7	34.5	**117,800**	**864,000**

Resources for the Minita, Minita3, Zancudo and Nueva Esperanza veins were calculated by Mr. P. Lacroix, P. Eng., an independent consultant. The La Coyotera resource estimate is a previous estimate generated by Kinross and subsequently reviewed and confirmed by Mr. C. Stewart Wallis, P. Geo., an independent consultant. Both individuals meet the criteria of a Qualified Person, under the newly adopted National Instrument 43-101. All resources conform to CIM definitions.

MINE PLANNING

A mine schedule was developed on the basis of the resource model outlined above. Applying a mechanized overhand cut and fill mining operation, and 30% dilution with assumed zero grade material, the indicated resource could deliver a plant grade in the range of 12 g/t gold and 84 g/t silver. The mine geometry could support a 500 tonne per day operation.

Mine development would involve a single decline/ ramp with the existing vertical shafts forming part of the ventilation system. The development work would involve approximately 3,500 meters of drifting, cross cuts and ramping as well as 850 meters of raising.

METALLURGY

Vein samples from the recent drill program were analyzed at Dawson Metallurgical Labs in Salt Lake City. Previous testwork showed recoveries of 93% for gold and 89% for silver. These figures were supported by the recent work.

Due to the high silver content, processing plant design and capital and operating costs are based on convention agitation, leaching, counter-current decantation (CCD) in thickeners and final extraction using zinc precipitation. This was essentially the same flowsheet that was successfully employed at El Dorado 50 years ago.

Based on the indicative mine plan such a plant could produce approximately 60,000 ounces of gold and 400,000 ounces of silver per year, for five years. Cash operating costs would be less than $150 per ounce.

EL SALVADOR

Under the current Mining Law, Dayton must submit a feasibility study to the El Salvador government by July 01, 2001, in order to convert the current Exploration Licence into an Exploitation Concession which will then have a 30-year life.

Discussions were held with senior government officials, including Vice-President Sr. Carlos Quintanilla Schmidt, during 2000. Proposed amendments to the Mining Law, include the removal of the five year term for exploration licenses and a replacement of the 4% royalty with a lower, graduated royalty payment schedule tied to gold price. These amendments were requested in order to better align development plans with the realities of the equity and debt markets. Dayton has been advised that its requested changes have been incorporated into a new draft Mining Law which has received Departmental and Presidential approval and is now awaiting approval in Congress. The series of earthquakes experienced at the beginning of 2001 have occupied the majority of the government's attention since the draft legislation was prepared.

El Salvador continues to enhance its international reputation as a country which encourages foreign investment. In the Year 2000 Index of Economic Freedom (produced by the The Heritage Foundation, from Washington D.C. and The Wall Street Journal) El Salvador rated equally 11th with Chile and Canada, out of a total of 161 countries evaluated. The rating considers monetary policy, property rights, regulation and a number of other critical investment considerations. El Salvador, along with Chile rated higher than all other Central and South American countries. In November the World Bank expressed further confidence in El Salvador's economic management, after the government's decision to make the US dollar legal tender in the country.

OPERATIONS | DENTON – RAWHIDE MINE

Dayton acquired its 49% non-operating interest in the Denton-Rawhide Mine from Kinross Gold Corporation on April 1, 2000. Kennecott Minerals Corporation is the mine operator and holds a 51% interest. Since April 6, 2000 Dayton's share of production was:

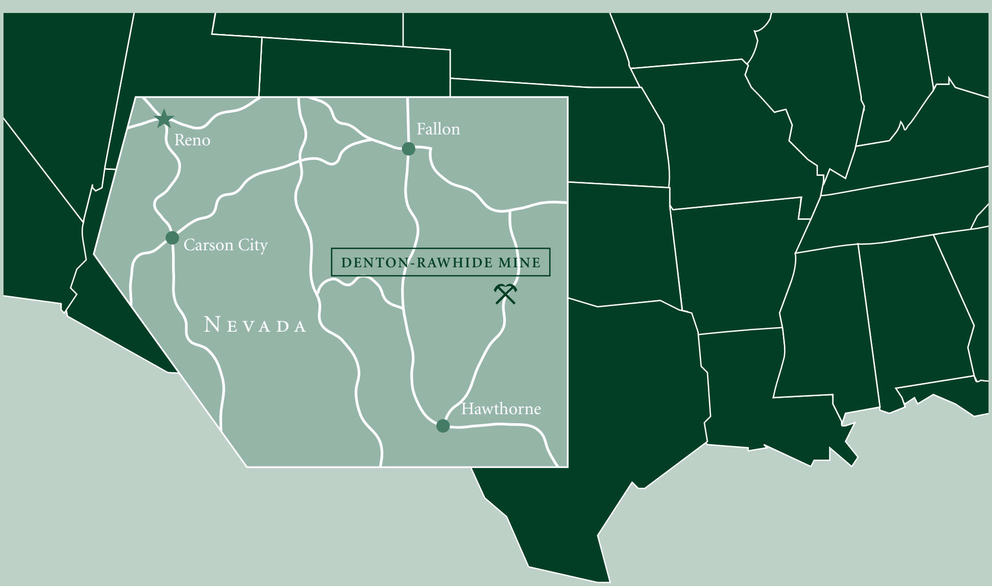
Tonnes crushed:	*2,176,000*
Gold grade (g/t):	*0.85*
Silver grade (g/t):	*12.1*
Gold produced (ounces):	*37,706*
Silver produced (ounces):	*283,796*
Cash Production Costs ($/oz. gold):	*$234*

Dayton's estimated share of production for 2001 is 49,000 ounces of gold and 466,000 ounces of silver at a cash production cost of $215 per ounce of gold, in accordance with the Gold Institute Standards.

The mining plan calls for crushing ore from the open pit at the rate of 6.0 million tonnes per year through to September, 2002, followed by approximately one year's crushing of lower grade stockpiled ore. Run-of-mine ore will continue to be placed and leached into 2002.

Estimated production and cash operating costs (net of silver credit) to Dayton's account is:

	Gold oz.	Silver oz.	Cash Production Cost ($/oz.)
2001:	49,000	466,000	215
2002:	48,000	466,000	196
2003:	39,000	382,000	216
2004:	18,000	235,000	342



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Exploration spending at Denton-Rawhide totaled $694,000 in 2000 and focused on targets below the current open pit as well as the Toiyabe and Black Eagle areas to the southwest of the operation. Recently, an option deal has been struck on ground southeast, and on strike with the main structures controlling the mineralization. This area is covered by alluvium and will be tested by ground magnetics followed by a gravity survey and potentially drilling. The exploration budget for 2001 at Denton-Rawhide is $316,000.

Reclamation and closure planning will be accelerated in 2001. A reclamation bond of $5.2 million with the Bureau of Land Management is provided by Kennecott on behalf of the joint venture. Also, Dayton contributes to a separate cash reclamation account on a monthly basis. Reclamation expenditures are scheduled to be funded as part of operating costs and out of this reserve account.

Year-end reserves and resources for Dayton's share of the Denton-Rawhide Mine are shown below:

RESERVES *(at US$300 Gold and US $5.20 Silver) at 31 December, 2000 (49%):*

	Proven	Probable	Total
Tonnes Ore:	8,271,000	368,000	8,639,000
Gold grade *(g/t)*:	0.78	0.61	0.78
Silver grade *(g/t)*:	13.2	12.0	13.1
Gold content *(oz.)*:	207,000	7,200	214,200
Silver content *(oz.)*:	3,511,000	142,000	3,653,000
Tonnes Lean Ore Stockpile:			2,499,000
Gold grade *(g/t)*:			0.45
49% Share of Gold Content *(oz.)*:			32,500

RESOURCES *(49%)*

	Tonnes	Au *(g/t)*	Ag *(g/t)*	Oz. Au	Oz. Ag
Measured	4,253,000	0.65	9.9	88,900	1,347,000
Indicated	255,000	0.81	9.3	6,600	76,000
Total	**4,508,000**	**0.66**	**9.8**	**95,500**	**1,423,000**

Note: Resources do not include Reserves

Reserves and resources were calculated by Mr. M. Read, Read Associates, Colorado. (Application has been made to the British Columbia Securities Commision to have Mr. Read's qualifications accepted as meeting the criteria of a "Qualified Person", under National Instrument 43-101). Resources that are not reserves do not demonstrate economic viability under current estimation parameters.

ANDACOLLO

The Andacollo mine is located near the town of Andacollo in central Chile, approximately 56 kilometers south-east of the cities of La Serena and Coquimbo. The mine commenced commercial production in 1996 and operated as an 18,000 tonne per day gold heap leach operation.

On September 30, 2000, Compañia Minera Dayton Limitada(“CMD”), a wholly owned subsidiary of Dayton, suspended mining and crushing activities at the mine. This action was taken because of continuing low gold prices and lower than planned gold production, especially during the third quarter. Less ore than expected was mined from the Churumatta pit. Also, ore originating from the Natalia pit, which only had a six month life, did not generate expected metal recovery rates. Originally intended as a temporary shutdown, further analysis resulted in a decision at the end of November to completely close the mine and begin reclamation works and the sale of the mining and processing equipment.

At the time of the closure decision, CMD had outstanding trade payables and lease obligations of approximately $12.6 million. Dayton was an unsecured creditor as to $1.33 million of this amount. Of the total outstanding commitments, $5.7 million related to the leased mining equipment which is owned by Caterpillar Leasing. Dayton has guaranteed the lease payments under this agreement. As of the date of this report, due to sales of some of this equipment the amount outstanding under the lease has been reduced to $4.2 million. Dayton is comfortable that most, if not all, of the outstanding lease amounts will be covered by the expected sales proceeds of this equipment. Under the Creditors’ Plan, CMD continues to pay $169,000 per month on the outstanding lease amount. These payments are made before payment of any available cash to unsecured creditors.

On April 09, 2001 CMD entered into an agreement with Henry Butcher International Limited, ("Henry Butcher"), for the marketing and sale of the mining fleet, crushing plant and conveying/stacking system at the mine. The gold recovery plant is not part of the agreement, but will be marketed after the cessation of gold recovery from the heaps. Henry Butcher will aggressively pursue the disposal of these assets in Chile and internationally. The mining fleet consists of three Caterpillar 992 loaders, eleven Caterpillar 777 haulage trucks and miscellaneous support equipment as well as one Ingersoll-Rand DM-30 and one T-4 drill. All of the equipment was purchased new beginning in 1995 and has been maintained by Finning Chile S.A. under a maintenance and repair contract.

The three-stage crushing plant consists of a Nordberg 47" x 63" primary jaw crusher, a Nordberg 7' standard Symons secondary cone crusher and three Nordberg 7' shorthead Symons tertiary cone crushers. Prior to the suspension of mining and crushing operations at Andacollo, the mining fleet was producing over 90,000 tonnes per day of ore and waste and the crushing plant was operating at the design capacity of 18,000 metric tonnes per day, producing a final product size of 90% minus 3/8". The crushing and screening plant was designed and built by Bechtel Engineering and the overland conveying and stacking system was designed and constructed by Laurel Engineering.

Because of the shutdown of the mining and crushing operations all reserves at Andacollo have been reclassified to the resource category. Resource figures as of December 31, 2000 are:

ANDACOLLO RESOURCES

	Cut-Off (*g/t*)	Tonnes	Au (*g/t*)	Oz. Au
Measured	0.3	21,624,000	0.72	498,500
Indicated	0.3	27,366,000	0.64	566,700
Total	0.3	**48,990,000**	**0.68**	**1,065,200**
Inferred	0.3	15,007,000	0.56	271,700

Resources conform to CIM definitions and were calculated under the direction of Mr. C. R. VanOrder, P. Eng., a Qualified Person under National Instrument 43-101.

CORPORATE GOVERNANCE

In compliance with the guidelines respecting corporate governance practices set out in the Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada dated December 1994 (the "Report"), the Company is pleased to disclose its corporate governance practices.

MANDATE OF THE BOARD

The Board of Directors of the Company (the "Board") is responsible for the sound governance of the Company pursuant to the powers vested in the Board by the Company Act (British Columbia), the Memorandum and Articles of the Company and all other statutory and legal requirements generally applicable to directors of a company that is also a "reporting issuer" under applicable securities legislation. Management is responsible for the day-to-day operation of the business and affairs of the Company.

In fulfilling its mandate, the Board is responsible, among other things, for the following:

- *adoption of a strategic planning process to establish the Company's intermediate and long-term goals; and*
- *ensuring the establishment of systems to manage the principal risks arising from or incidental to the business activities of the Company: including but not limited to environmental, safety, and financial controls; and*
- *appointing, defining functions for, and monitoring the performance of senior management which includes establishing executive compensation policies and their implementation with respect to individual performance and attainment of established goals; and*
- *overseeing the Company's public communications policy and implementation, including approving the disclosure of material information and shareholder communications.*

In order to carry out its functions, the Board holds regular meetings on a quarterly basis and additional meetings as necessary to consider particular matters or evaluate matters between quarterly meetings, wherever appropriate. At such meetings management apprises the Board of the performance of the Company through discussion and analysis.

COMPOSITION OF THE BOARD

The Board is currently comprised of eight directors of which all but Mr. William H. Myckatyn are "unrelated directors". The term "unrelated directors" means a director who is independent of management and is free from any business or other relationship which could, or could reasonably, be perceived to materially interfere with the director's individual ability to act with a view to the best interests of the Company other than interests and relationships arising from shareholding.

The Company has no "significant shareholder", which is defined as a shareholder with the ability to exercise a majority of the votes for the election of the board of directors.

The Board of Directors has prepared and adopted a comprehensive Board Manual which outlines the roles, standards and responsibilities of the Board and each individual director with respect to guidance on sound corporate governance. This manual addresses such issues as the composition and independence of the Board, the functions of various committees of the Board and the effectiveness and education of Board members. To assist the Board in the discharge of its responsibilities, the Board of Directors has designated the following three committees:

The Audit Committee consists of three members, all of whom are unrelated directors and not members of management. The Audit Committee has the responsibility for: a) reviewing the annual financial statements of the Company and recommending to the Board whether such financial statements should be approved; b) reviewing the interim financial statements of the Company; c) reviewing the public disclosure documents containing financial information before their release; d) appointing and establishing the remuneration for the external auditors of the Company; e) determining the scope of the annual audit and evaluating the performance of the auditors; and f) reviewing the Company's system of internal financial controls and accounting processes to ensure their adequacy.

The Environmental Committee has the responsibility for reviewing the Company's environmental policy and for ensuring the Company's operations are operated in a manner consistent with the environmental policy and also for ensuring the Company's operations are run in a manner which does not unduly expose its employees to unnecessary risk of accident or death.

The Compensation Committee has the responsibility for: a) fixing the compensation and evaluating the performance of the President and CEO; b) approving the appointment of and monitoring the performance of the other senior officers; and c) exercising the powers conferred upon it by the Board with respect to the administration and adequacy of the 1999 Employees' and Directors' Stock Option and Stock Bonus Plan.

The Company's Board of Directors and Senior Management consider good corporate governance to be central to the effective and efficient operation of the Company.

DECISIONS REQUIRING PRIOR BOARD APPROVAL

In addition to those matters which must by law or by the Memorandum and Articles of the Company be approved by the Board, all decisions of strategic significance to the Company must be approved by the Board. Any material expenditures or legal commitments (including, without limitation, any debt or equity financings, investments, acquisitions and divestitures) by the Company are also subject to prior approval by the Board. Financial statements and major disclosure documents are also subject to Board review and approval.

OTHER

The Company's investor relations and corporate development activities are undertaken by the senior management of the Company in addition to their other duties. The Board believes that it is the function of management to speak for the Company in its communications with third parties, however any material concern or issue raised by a Member will be presented to the Board for consideration. To date, the Board has not needed to take an active role in responding to Member inquiries or concerns.

GENERAL

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with and is qualified by the audited financial statements and the related notes that have been prepared in accordance with accounting principals generally accepted in Canada. Reference should be made to Note 20 of such financial statements for reconciliation of Canadian and United States generally accepted accounting principals.

On March 31, 1999 Dayton Mining Corporation (the "Company") proposed and its shareholders and debenture holders approved the conversion for every $1,000 principal amount of debenture into 4,500 common shares. This redemption resulted in the issuance of 310,500,000 common shares of the Company, increasing the issued and outstanding common shares to 351,356,779 as at December 31, 1999 from 40,856,779 as at March 31, 1999. This issuance of shares resulted in a material change of control of the Company and necessitated the adoption, effective April 1, 1999, of fresh start accounting which established new values for all of the assets and liabilities of the Company. Under fresh start accounting comparative results are only reported to April 1, 1999. The reader is referred to Note 1a of the accompanying financial statements for the detailed affects of this comprehensive revaluation. The reader is also referred to the Company's 1999 Annual Report and the related notes for further information respecting the financial results of the company prior to the adoption of fresh start accounting.

Unless otherwise identified, all dollar amounts reported and included in this discussion are in the currency of the United States of America. The Company adopted the U.S. dollar as its principal currency as at January 1, 1999.
Please refer to Note 1b for details on the change in reporting currency.

SIGNIFICANT TRANSACTIONS

By agreement dated April 6, 2000, but effective as at April 1, the Company acquired a 49% joint venture interest in the Denton-Rawhide Mine near Fallon, Nevada from Kinross Gold Corporation for 144,710,000 common shares with a prescribed value of $12,275,400.

On April 6, 2000 the Company acquired 100% of Mirage Resource Corporation ("Mirage") through the amalgamation of Dayton Acquisitions Inc., a wholly owned subsidiary of the Company, and Mirage. The Company issued a total of 17,760,090 common shares with a prescribed value of $1,506,545. In addition, the Company acquired from Kinross Gold Corporation certain shareholder loans made to Mirage in exchange for 26,579,516 common shares with a prescribed value of $2,254,868.

On April 11, 2000 the Company consolidated its common shares on a one for twenty basis resulting in a reduction of the number of shares outstanding to 27,033,069 shares from 540,661,385 common shares.

On June 16, 2000 the Company received final receipts for a special warrant financing transaction that closed on March 1, 2000. In return for the investment of (Canadian) $9.0 million, before underwriting costs, the Company issued 4,090,905 common shares bringing its total issued and outstanding common shares to 31,123,974.

On December 4, 2000 the Company announced the permanent closure of its 100% owned Andacollo Gold Mine in central Chile. Also in December, Compañia Minera Dayton ("CMD"), a wholly owned subsidiary of Dayton Mining Corporation and the owner of the Andacollo Mine, applied to the Chilean courts for creditor protection while it closes the mine and begins an orderly disposal of all assets.

OVERVIEW

The Company's remaining principal operating asset is its 49% ownership of the Denton-Rawhide Mine that was acquired in April 2000. The Denton-Rawhide Mine is a heap leach gold and silver mine located near Fallon, Nevada. It has a nominal crushing capacity of approximately 6 million tonnes of ore per year.

The Company's principal exploration and development property is the El Dorado gold and silver property located in the country of El Salvador. It was acquired on April 6, 2000 and at the present time preliminary economic evaluations are underway.

The Company also owned 100% of Compañia Minera Dayton, which owns the Andacollo Gold Mine located near the town of Andacollo in central Chile.
This mine was permanently closed in December of 2000 and the process of disposing of the assets and the settling of outstanding liabilities is underway.

The financial performance of the Company is largely dependant upon the price of gold and its ability to raise financing to advance the El Dorado property in Chile.

The year ending December 31, 2000, as in 1999, was a difficult year for producers of gold. In 2000 the London P.M. price fixing averaged $ 279 per ounce, essentially the same as in 1999. These gold prices are the lowest annual average prices experienced since 1978. Dayton does not hedge the price of any significant amount of its gold production and therefore its financial performance is directly related to changes in the gold and silver price and also, to the cost of production of these metals at Denton-Rawhide.

GOLD AND SILVER PRODUCTION

Consolidated production in 2000 totaled 121,734 ounces of gold and 307,226 ounces of silver. This included eleven months of operations from Andacollo and the operations at Denton-Rawhide since its acquisition on April 1, 2000. On December 1, 2000 the Company's investment in the Andacollo Mine held through CMD was written-off in its entirety and on that date, the company ceased accounting for Andacollo's results.

In the 2000 fiscal year Andacollo's production was 84,028 ounces of gold and 23,430 ounces of silver. The Company's share of production from Denton-Rawhide was 37,706 ounces of gold and 283,796 ounces of silver. In 1999 Andacollo produced 134,955 ounces of gold and 44,595 ounces of silver. Metal production in the first quarter of 1999 at Andacollo totaled 32,882 ounces of gold and 9,654 ounces of silver. The Company did not have an ownership interest in the Denton-Rawhide Mine in 1999.

Consolidated cash production costs in 2000 were $273 per ounce of gold produced compared to $210 per ounce in 1999. In 2000 Denton-Rawhide's cash production costs were $234 per ounce and Andacollo's cash production costs were $290 per ounce or $80 per ounce greater that 1999. During the 2000 year, minesite operating costs at Andacollo declined as compared to 1999 levels. However, the 38% decrease in production resulted in the increase in reported cash costs for 2000. In 1999 the Company capitalized $5.2 million of waste stripping, but in 2000 only $750,000 of such costs were capitalized. Waste mining costs at Denton-Rawhide are not capitalized.

In 1999 and 1998 the Andacollo Mine was the Company's sole operating asset.
In 1998, Andacollo produced 92,548 ounces of gold or 42,407 ounces (31%) less than in 1999. In 1998 cash production costs were $241 per ounce or $31 per ounce greater that 1999. The increase in production and corresponding lower costs in 1999 compared to 1998 were attributable to greater throughput (15%) and an increase in the grade of ore placed on heaps (12%).

NET INCOME AND ITS COMPONENTS

The net loss for the fiscal year 2000 before unusual items, relating to the write-off of the Andacollo Mine, was $8.666 million ($0.32 per share), compared to a loss of $2.053 million ($0.12 per share) for the nine-month period ending December 31, 1999. A nominal profit of $410,000 was recorded during the first quarter of 1999.

For the purpose of calculating per share amounts the number of shares outstanding at December 31, 2000 was 31,123,974; the average number of shares outstanding during 2000 was 26,715,402 and for 1999 post restructuring, the average number of shares outstanding was 17,567,839 on a post consolidation basis.

During the fourth quarter the Company wrote-off its entire investment in the Andacollo Mine, which resulted in an unusual charge of $22.72 million. This brought the total net loss for the year to $31.388 million ($1.17 per share). There were no unusual items in 1999.

In 1998 the Corporation lost $42.36 million ($20.74 per share), which included a $33.3 million write-down of the property, plant, and equipment carrying values at the Andacollo mine. Nevertheless the 1998 loss without the write-down still exceeded the 1999 loss owing to higher depreciation charges, higher operating costs and much larger interest and administrative charges.

Net sales revenue, including hedging gains, royalty and selling expenses in 2000 totaled $35.6 million versus $26.3 million for the final nine months of 1999. Sales of $10.2 million were recorded for the first quarter of 1999. The average price of gold received was $279 per ounce in 2000 versus $275 per ounce in 1999. In 2000 the Company sold 121,734 ounces of gold versus 134,955 ounces for the twelve months of 1999. In 2000 hedging gains contributed $0.72 million with this amount offset by $0.43 million in royalty expenses. In 1999 the hedging transactions reduced sales revenue by $728,000 with royalty expenses totaling $586,000 for the post fresh start period and $189,000 for the first quarter. In 1998 gold sales totaled $29.9 million on production of 92,548, which included $3.75 million of hedging gains, offset by royalty expenses of $273,000.

Operating costs in 2000 totaled $34.4 million versus $27.8 million in 1999 (of which $6.5 million were incurred in the first quarter of 1999). The year over year increase was 23.7 %. The acquisition of an interest in the Denton-Rawhide Mine accounted for the majority of the increase in costs. During the third quarter of 2000, the Company reduced the carrying value of its inventory at the Andacollo Mine by $1.85 million because of a reduction in the Company's long-term estimate of the future price of gold. Further, for the twelve months in 1999 $5.2 million of mining costs were capitalized compared to $750,000 in 2000.

In 1998, operating costs at the Andacollo Mine totaled $21.8 million for twelve months compared to $27.8 million for a comparable twelve-month period in 1999.

Depreciation, depletion and amortization decreased from $6.9 million in 1999 to $6.5 million in 2000. The major reason for this decrease was due to the reduction in the carrying value of property, plant and equipment at Andacollo resulting from the adoption of fresh start accounting and the lower level of production. In addition the depreciation charge at Denton-Rawhide included the amortization of the excess purchase price paid as part of the acquisition of the Company's interest in the mine. On a per ounce of gold produced basis, the depreciation, depletion and amortization rate increased only marginally between 1999 and 2000.

As compared to 1998, depreciation, depletion, and amortization in 1999 fell to $6.9 million from $7.69 million. The year-on-year reduction was due almost entirely to the writedown of property plant and equipment, which totaled $33.3 million between the two reporting periods.

The operating loss for 2000 was $5,273,000 versus a profit of $300,000 for the final nine months of 1999, with an operating profit of $1.5 million reported for the first quarter of 1999. Lower gold production and a lower realized gold price, combined with an inventory ceiling test writedown at Andacollo were principally responsible for the loss in 2000. In 1998, operating profit was $526,000, which on an annualized basis was essentially the same as 1999.

In 2000 other expenses totaled $3.4 million for the twelve-month period compared with $2.4 million for the final nine-month period of 1999. Other expenses in the first quarter of 1999 totaled $1.1 million. In general most cost centers in 2000 benefited from lower spending than in the previous year, with the exception of exploration, which rose to $1.8 million from $138,000 for the previous twelve-month period. In 2000 the Corporation spent approximately $1.0 million on the El Dorado project in El Salvador and approximately $0.3 million at Denton-Rawhide. Neither of these projects were assets of Dayton in 1999. The remaining money was spent at Andacollo in the early part of the year and on miscellaneous project investigations undertaken throughout the year. In 1999 and 1998 the Company spent $138,000 and $610,000 on exploration, respectively. The majority of this was spent at Andacollo, with minor sums spent in both years analyzing various property submittals. Also, general and administrative costs in 2000 were $1.5 million compared to quarterly spending of $530,000 in 1999 and over $4,800,000 in total in 1998. In 1998 and 1999 the Company made material severance payments to terminated executives and employees.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL CONDITION

With the closure of the Andacollo Mine, the assets and liabilities of the Company consist of its investment in the Denton-Rawhide Mine, the El Dorado property and the assets and liabilities of the parent company. The only obligations of Compañia Minera Dayton that may flow to Dayton Mining Corporation consist of the Company's corporate guarantee of an equipment lease agreement between CMD and Caterpillar Leasing, and there is a dispute whether the Company has guaranteed certain royalty obligations of CMD payable to a former executive of the Company.

As at the end of 2000 the Company was essentially debt free, excepting normal coarse trade payables and a loan obligation to an affiliate company that is repayable out of a percentage of the cash flow from the Denton-Rawhide Mine. The final payment on the Andacollo Mine project loan was made in mid-January of 2000.

With the closure and write-off of the assets of the Andacollo Mine, the Company's working capital has been strengthened to $9.8 million at the end of 2000 from $6.5 million at the end of 1999. Also, by the end of 2000, the Company's debt to total asset ratio had fallen to 26% from 38%. In June of 2000, the Company raised $5.8 million on the sale of 4.09 million common shares via a special warrant issue.

Cash flow from operations in 2000 was negative $1.691 million or ($0.06) per share versus $6.5 million or $0.37 per share during the final nine months of 1999 plus $2.657 million or $1.30 per share during the first quarter of 1999. Also during the year the Company acquired a 49% interest in the Denton-Rawhide Mine and a number of exploration properties in El Salvador through the acquisition of Mirage. Both of these acquisitions were done by issuing common shares. See Note 16 to the financial statements for a description of these transactions. During 2000, the Company spent only $1.14 million on deferred stripping and plant and equipment as compared to $5.8 million in 1999. In 2000 hedging activities contributed $0.72 million in 2000 as compared to $2.7 million in 1999. At year-end the company did not have any future gold production subject to forward price contracts. In order to minimize foreign exchange risk, the majority of its unrestricted cash is kept in U.S. dollar interest bearing accounts or invested in first class short term government securities to minimize the risk of default.

The Company did not pay any dividends in 1998, 1999 or 2000 and does not plan on paying any dividends in 2001.

REGULATORY, ENVIRONMENTAL AND OTHER RISK FACTORS

RECLAMATION AND CLOSURE

The company is committed to constructing and operating its mines and exploration projects to minimize the effects of its operations on the environment. The reclamation plan at the Andacollo Gold Mine in Chile generally follows North American standards. As part of the closure plan, the Company is depositing certain funds into a trust to provide funding for the estimated closure costs. These funds are part of the revenue to be generated from the sale of releach gold production and from the sale of the assets of the mine. The creditors of the mine have tentatively agreed to the establishment and funding of a $1.2 million reclamation trust and also, the creditors have tentatively agreed to allow CMD to complete the open pit reclamation while the assets are being sold. With respect to the post closure costs at Denton-Rawhide, the Company recognized its entire estimated obligation at the time of the acquisition. This equated to approximately $3.79 million and is being amortized on a unit of production basis through depreciation, depletion and amortization. Furthermore, Dayton has established a closure fund with approximately $2.769 million in it as at year-end to fund its share of closure costs. Each month Dayton contributes $39,090 to this fund. Please refer to Note 7 for further information.

HEALTH AND SAFETY

The Company and its joint venture partner have implemented extensive health and safety programs, for its employees in Chile, Canada, The United States of America and El Salvador. The company believes it is in compliance with such laws in all of the countries in which it operates and is not aware of any changes to these laws or regulations that would have a material impact on the financial condition of the Company.

OUTLOOK

The Company's sole operating asset is a 49% interest in the Denton-Rawhide Mine in Nevada. Its profitability and ability to generate positive cash flow is directly related to the prevailing market price for gold and silver, the Company's share of production from this operation and the ability of the Manager of the Denton-Rawhide Mine to control the costs of production. The published level of reserves and resources are estimated using a gold price of $300 per ounce and such reserve estimates are made within normal engineering standards employed by such professionals. By employing this price, reserve and cost estimates, the carrying value of the Company's assets as stated is believed to be reasonable. Any adverse change in these estimates could affect the future carrying value of such assets.

During 2001 the Company is planning to spend limited amounts of money to continue to advance the El Dorado project. The Company's ability to obtain third party financing to advance this property is believed to be limited given the depressed nature of the equity markets for junior gold producers and therefore the Company may be forced to seek a partnership or an alternative arrangement with another mining company to advance the project. In 2001 the Company expects its pro rata share of production will be 49,200 ounces of gold and 466,500 ounces of silver with total operating costs at levels close to the prevailing prices of gold and silver.

FORWARD LOOKING STATEMENTS

Certain of the information, opinions and perspectives contained in this Management's Discussion and Analysis of the Financial Condition and the Results of Operations of the Company constitutes "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements, opinions and perspectives involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any actual future results, performance or achievements expressed or implied by such forward looking statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF DAYTON MINING CORPORATION

The accompanying consolidated financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada, and within the framework of the summary of significant accounting policies in these consolidated financial statements. Management is responsible for all information in the annual report. All financial and operating data in the annual report is consistent, where appropriate, with that contained in the consolidated financial statements.

A system of internal accounting control is maintained in order to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors discharges its responsibilities for the consolidated financial statements primarily through activities of its Audit Committee composed of three directors, none of whom are members of management. This Committee meets with management to assure that it is performing its responsibility to maintain financial controls and systems and to approve the annual audited consolidated financial statements of the Company. The Audit Committee also meets with the independent auditors to discuss the scope and the results of their audit and audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited on behalf of the directors by the Company's independent auditors, PricewaterhouseCoopers LLP, in accordance with Canadian and United States generally accepted auditing standards. The auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.

W.H. Myckatyn
President, Chairman and Chief Executive Officer
March 2, 2001

Scott M. Brunsdon

S.M. Brunsdon
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF DAYTON MINING CORPORATION

We have audited the consolidated balance sheets of Dayton Mining Corporation as at December 31, 2000 and 1999 and the consolidated statements of income, shareholders' equity and cash flows for the year ended December 31, 2000, the nine months ended December 31, 1999 and the three months ended March 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and the United States. 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, 2000 and 1999 and the results of its operations and its cash flows for the year ended December 31, 2000, the nine months ended December 31, 1999 and the three months ended March 31, 1999 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, Canada
March 2, 2001

CONSOLIDATED BALANCE SHEETS

In thousands of US dollars

At December 31

		2000		1999
ASSETS				
Current assets				
Cash	$	**4,396**	$	3,669
Restricted cash (note 6a)		**–**		1,667
Investments in marketable securities (note 3)		**175**		175
Bullion settlements receivable		**663**		2,281
Other receivables		**196**		984
Inventories (note 4)		**7,013**		9,058
		12,443		17,834
Property, plant and equipment (note 5)		**13,341**		26,847
Deferred stripping		**–**		3,800
Closure fund (note 7)		**2,769**		–
Other		**10**		63
	$	**28,563**	**$**	**48,544**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	**2,578**	$	6,745
Operating line of credit (note 6c)		**–**		1,401
Bank loan (note 6a)		**–**		1,667
Capital lease obligation (note 8)		**–**		1,495
		2,578		11,308
Loan payable to a related party (note 7)		**1,849**		–
Capital lease obligation (note 8)		**–**		5,234
Accrued closure costs (note 16a)		**3,767**		2,123
		5,616		7,357
		8,194		18,665
SHAREHOLDERS' EQUITY				
Share capital (note 9)		**53,810**		31,932
2000 – 31,123,974 shares				
1999 – 17,567,839 shares				
Deficit		**(33,441)**		(2,053)
		20,369		29,879
	$	**28,563**	**$**	**48,544**

Capital lease and contingent liability (note 8)
Contingency (note 18)

Approved by the Board of Directors:

W.H. Myckatyn
Director

D. K. Fagin
Director

See accompanying notes to the financial statements

CONSOLIDATED INCOME STATEMENTS

In thousands of US dollars

	Year ended Dec 31, 2000	Three Months Before and Nine Months After Comprehensive Revaluation: Nine months ended Dec 31, 1999	Three Months Before and Nine Months After Comprehensive Revaluation: Three months ended Mar 31, 1999
Revenue			
Sales (note 11)	$ **35,589**	$ 26,320	$ 10,182
Cost of sales			
Operating costs	**34,383**	21,320	6,479
Depreciation, depletion and amortization	**6,479**	4,700	2,180
	40,862	26,020	8,659
	(5,273)	300	1,523
Expenses			
Amortization of deferred financing costs	–	–	115
Exploration	**1,766**	72	66
Foreign exchange	**(324)**	(133)	(109)
General and administrative	**1,546**	1,589	529
Interest expense	**930**	816	608
Interest income	**(525)**	(218)	(96)
Writedown of marketable securities	–	227	–
	3,393	2,353	1,113
Net (loss) income before unusual item	**(8,666)**	(2,053)	410
Unusual item (note 13)	**(22,722)**	–	–
Net (loss) income for the period	$ **(31,388)**	$ (2,053)	$ 410
Per share:			
Net loss per share (note 17)	$ **(1.17)**	$ (0.12)	$ (0.30)

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

In thousands of US dollars

	Share Capital	Convertible debentures – equity	Retained earnings (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, January 1, 1999 to March 31, 1999	–	–	410	**410**
Estimated restructuring costs	(950)	–	–	**(950)**
Reallocated to share capital for "fresh start" (note 1a)	(76,514)	–	76,514	–
Revaluation adjustment for "fresh start" (note 1a)	50,037	(49,239)	–	**798**
At March 31, 1999	31,824	–	–	**31,824**
Net loss for the period, April 1, 1999 to December 31, 1999	–	–	(2,053)	**(2,053)**
Adjustment for actual restructuring costs	108	–	–	**108**
At December 31, 1999	31,932	–	(2,053)	**29,879**
Common shares issued during year	21,878	–	–	**21,878**
Net loss for the year	–	–	(31,388)	**(31,388)**
At December 31, 2000	$ 53,810	$ –	$ (33,441)	$ **20,369**

See accompanying notes to the financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

In thousands of US dollars

	Year ended Dec 31, 2000	Three Months Before and Nine Months After Comprehensive Revaluation	
		Nine months ended Dec 31, 1999	Three months ended Mar 31,1999
Net (loss) income for the period	$ (31,388)	$ (2,053)	$ 410
Adjustment to reconcile net (loss) income to cashflow provided by operations:			
Depletion, depreciation and amortization	6,479	4,700	2,180
Accrued closure costs	567	349	53
Foreign exchange	(82)	(133)	(109)
Amortization of deferred financing costs	–	–	115
Net Interest earned on sinking fund	(40)	–	–
Amortization of other assets	30	14	8
Amortization of gold contracts	–	3,400	–
Writedown of investment in subsidiary (note 13)	22,722	–	–
General and administration costs covered by issuance of shares	21	–	–
Writedown of marketable securities	–	227	–
Cash flow from operations	(1,691)	6,504	2,657
Bullion settlements receivable	1,143	(347)	(234)
Other receivables	705	131	114
Inventories	72	542	(4)
Accounts payable	(1,203)	(355)	(341)
Closure cost expenditures	(1,149)	–	–
Cash lost on deconsolidation (note 13)	(103)	–	–
Cash flow provided by operating activities	(2,226)	6,475	2,192
Investing Activities			
Purchases of property, plant and equipment	(390)	(223)	(339)
Settlements with contractors	–	676	–
Deferred stripping	(750)	(3,800)	(1,400)
Reclamation Sinking Fund contributions	(470)	–	–
Capitalized acquisition costs	(617)	–	–
Other assets	–	(19)	44
Cash flow used for investing activities	(2,227)	(3,366)	(1,695)
Financing Activities			
Restricted cash released	1,667	333	10,857
Operating line of credit	399	1,401	–
Principal repayments of bank loan	(1,667)	(4,333)	(11,857)
Capital lease obligation repayments	(1,122)	(1,121)	(844)
Issuance of share capital	5,821	–	–
Convertible debenture	–	(2,415)	–
Cash flow provided by (used for) financing activities	5,098	(6,135)	(1,844)
Foreign Exchange	82	133	109
Net increase (decrease) in cash	727	(2,893)	(1,238)
Unrestricted cash, beginning of period	3,669	6,562	7,800
Unrestricted cash, end of period	$ 4,396	$ 3,669	$ 6,562

Business Combination (note 16)
Supplementary Cash Flow Information (note 19)

See accompanying notes to the financial statements

Tables stated in thousands of US Dollars

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Company is involved in the exploration, development and operation of gold properties. The Company owns a 49% interest in the Denton-Rawhide Mine, which is held by a wholly-owned subsidiary, Dayton Mining (US) Inc. The Company also holds, through wholly-owned subsidiaries, a 100% interest in the exploration licence areas known as El Dorado, El Paisnal and Potonico in El Salvador. On December 1, 2000, the Company announced the permanent closure of its wholly-owned Andacollo Gold Mine in Chile which is owned by a Chilean subsidiary, Compañia Minera Dayton. Compañia Minera Dayton has applied to the Chilean courts for approval of a creditors' plan which provides for the orderly disposal of its assets. The court is expected to rule on this plan in the second quarter of 2001. The Company's entire investment in Compañia Minera Dayton was written off in December 2000.

BASIS OF PRESENTATION

The consolidated financial statements are presented in accordance with generally accepted accounting principles applicable in Canada and have been reconciled to generally accepted accounting principles applicable in the United States as disclosed in note 20.

These financial statements include the accounts of the Company's wholly owned subsidiaries, Dayton Mining (US) Inc. (which includes a 49% joint venture interest in the Denton Rawhide Mine (note 15), DMC Cayman Inc., Andacollo Gold Inc., La Serena Inc., Dayton Chile Exploraciones Mineras Limitada, Compañia Minera Dayton (to December 1, 2000) and Dayton Acquisition Inc. (which holds a 100% interest in the El Salvador exploration projects).

The Joint Venture interest in Denton-Rawhide is accounted for on a proportionate consolidation basis.

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

On March 31, 1999, the Company completed a court approved 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 principals. 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, effective March 31, 1999. Upon the comprehensive revaluation, the assets and liabilities were recorded at their estimated fair values.

At March 31, 1999, the date of the comprehensive revaluation, the effect on each major class of assets, liabilities and shareholders' equity resulting from the financial reorganization was:

	Before revaluation	Change	After revaluation
Current assets	$ 21,309	$ 327	$ 21,636
Property, plant and equipment	44,575	(12,575)	32,000
Other assets	2,741	717	3,458
Assets	$ 68,625	$ (11,531)	$ 57,094
Current liabilities	$ 22,545	$ 950	$ 23,495
Convertible debentures – liability	12,687	(12,687)	–
Other long term liabilities	1,417	358	1,775
Liabilities	$ 36,649	$ (11,379)	$ 25,270
Share capital	$ 59,251	$ (27,427)	$ 31,824
Convertible debentures – equity	49,239	(49,239)	–
Deficit	(76,514)	76,514	–
Shareholders' equity	$ 31,976	$ (152)	$ 31,824

b. Reporting currency

The United States dollar is the Company's principal reporting currency and the currency of measurement for all financial transactions reported in these financial statements.

c. Shut down of Andacollo Mine

The carrying values of the assets and liabilities of the Chilean operating subsidiary that owned the Andacollo Mine have been written-off effective December 1, 2000 with a corresponding charge to income to reflect permanent closure of this mine and the estimated realizable value of capital assets after all liabilities have been liquidated.

The earnings statement and cash flow statement for the year ended December 31, 2000 reflect the operating results of the Andacollo Mine for the 11 months operation prior to closure while all assets and liabilities have been deconsolidated from the December 31, 2000 balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES

CASH

Cash includes unrestricted cash on hand, demand deposits, and short term highly liquid investments with a term to maturity of less than three months from inception which are readily convertible to known amounts of cash and which are subject, in the opinion of management, to an insignificant risk of changes in values.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at estimated fair value as at the date of acquisition less accumulated depreciation and accumulated writedowns. Property, plant and equipment is depreciated using the unit of production method over estimated recoverable ounces.

Annually, reviews are undertaken to evaluate the carrying values of operating mines and development properties. If it is determined that the net recoverable amount is significantly less than the carrying value and the impairment in value is likely to be permanent, a writedown to the net recoverable amount is made by a charge to earnings.

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no mineable orebody is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures for the development of new mines, to define further mineralization in existing orebodies, and to expand the capacity of operating mines, are capitalized and amortized on a units of production basis over recoverable ounces.

MARKETABLE SECURITIES

Marketable securities are carried at the lower of cost and estimated fair market value.

INVENTORIES

Production inventories, comprising ore on the leach pads and gold in process, and mine operating supplies are valued at the lower of cost and net realizable value.

CONVERTIBLE DEBENTURES

On March 31, 1999, the convertible debenture was converted into common shares of the Company (see note 1a).

STOCK-BASED COMPENSATION PLAN

The Company has a stock-based compensation plan, which is described in note 9c. No compensation expense is recognized for this plan when stock options are issued to directors, employees or consultants as the exercise price equals the market price of the common stock at the time of the grant. Consideration paid by directors, employees or consultants on the exercise of stock options or purchase of shares is credited to share capital.

REVENUE RECOGNITION

Sales of precious metals are recorded at estimated net realizable values when the metals are available for sale.

FINANCIAL INSTRUMENTS

The carrying amounts for cash and short term investments, restricted cash, bullion settlements receivable, accounts receivable and accounts payable on the balance sheet, approximate fair value in the opinion of management because of the limited term of these investments. Fair value estimates are made at the balance sheet date, based on relevant market information and information about financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The fair value of investments, bank debt, and line of credit are disclosed in notes 3 and 6, respectively.

CLOSURE COSTS

Reclamation costs and related closure cost liabilities, which are estimated based on the Company's estimation of current environmental and severance requirements, are accrued and expensed by the units of production method based on estimated recoverable ounces. The Company's share of estimated closure costs associated with the Denton-Rawhide mine were recognized in full as part of the acquisition cost (see note 16a).

DERIVATIVE TRANSACTIONS

The Company may enter into gold hedging contracts to manage its exposure to fluctuations in the market price of gold and to establish minimum prices for certain of its future production. Gains and losses on these contracts are not recognized in income until reflected in sales revenue at the contract's original expiry date. The estimated fair value of the Company's hedging program is disclosed in note 10.

TRANSLATION OF FOREIGN CURRENCY

The accounts of foreign operations are translated into United States dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date.
- other assets and liabilities at applicable historical exchange rates.
- revenues and expenses at the average rate of exchange for the year except for non-monetary expenses which are at the rates used for the translation of the related assets.
- exchange translation gains and losses are treated as a component of the related transaction and included in earnings or capitalized accordingly.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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 those estimates.

CONCENTRATION OF CREDIT RISK

The Company places its cash and short-term investments with major chartered banks in high quality financial instruments. The Company believes that no concentration of credit risk exists with respect to cash and short-term investments.

3. INVESTMENTS IN MARKETABLE SECURITIES

		Dec 31, 2000		Dec 31, 1999
Investments in publicly traded shares, at market value	$	175	$	175
Cost	$	402	$	402

4. INVENTORIES

		Dec 31, 2000		Dec 31, 1999
Production inventory	$	6,186	$	7,400
Supplies inventory		827		1,658
	$	7,013	$	9,058

5. PROPERTY, PLANT AND EQUIPMENT

		Dec 31, 2000		Dec 31, 1999
Cost	$	44,020	$	31,547
Accumulated depreciation and writedowns		(30,679)		(4,700)
	$	13,341	$	26,847

6. BANK LOAN, OPERATING LINE OF CREDIT AND RESTRICTED CASH

	Dec 31, 2000	Dec 31, 1999
Restricted cash		
Andacollo Contingency Account	$ –	$ 1,667
Bank loan	$ –	$ 1,667

a. Bank Loan

In October 1994 the Company entered into a $50,000,000 bank credit facility to finance the construction of the Andacollo Gold Mine. The credit facility was for a maximum of approximately five years and the loan principal was originally repayable in fourteen quarterly payments of approximately $3,571,000 beginning in October 1996. Interest was payable at LIBOR plus 1.25%. The assets of Compañia Minera Dayton were pledged as collateral for amounts borrowed under the credit facility. Under the credit facility the Company had to maintain certain financial ratios and achieve certain operating results on an ongoing basis. The balance of the bank loan at December 31, 1999 is stated at amounts that approximated fair value.

On January 19, 2000, this loan was repaid in its entirety, all security under the loan agreement was released, and the restricted cash accounts were extinguished (see note 6b).

b. Andacollo Contingency Account

The "Andacollo Contingency Account" was held to satisfy the minimum principal repayments due under the terms of the bank loan. These funds would be available to the Company on an unrestricted basis when the loan was repaid. The funds were being invested in money market instruments and the interest income earned was received by the Company on a quarterly basis. On January 19, 2000, the bank loan was repaid and this restricted account was extinguished (see note 6a).

c. Operating Line of Credit

In November 1999, a wholly-owned subsidiary of the Company entered into an unsecured operating line of credit agreement with a Chilean bank. The operating line of credit had a limit of US$2 million and could be drawn in either US or Chilean currency. Draws from the facility were repayable in 90 days with interest at an annualized rate of LIBOR plus 1.6%. No outstanding balance is reported at December 31,2000 for the facility reflecting the permanent closure of the Andacollo Mine and the corresponding write-off of assets and liabilities related to this company.

7. LOAN PAYABLE TO A RELATED PARTY

The Company, as part of the Denton-Rawhide acquisition, agreed to reimburse Kinross Gold Corporation (a major shareholder of Dayton) a principal amount of $2.118 million for Kinross' interest in reclamation and severance trust funds (Closure Fund) held for the benefit of the Denton-Rawhide operation. The principal amount is repayable to Kinross on an annual basis from 25% of the net internal cashflow from the Denton-Rawhide Mine. Interest is payable annually at rates equivalent to those earned by the reclamation and severance trust accounts. In 2000, the interest payable to Kinross was approximately $141,000 and the principal was reduced by $269,000.

The closure funds are held in a trust managed by a Trustee who is a large North American banking institution. The trust funds are invested in U.S. Government guaranteed fixed income securities with maturities of one to five years.

8. CAPITAL LEASE AND CONTINGENT LIABILITY

The Company's Andacollo Mine has leased mining equipment whose purchase was originally financed by five year leases secured by a Corporate guarantee. In March 1999, the repayment schedule was revised to 21 quarterly principal repayments of approximately $374,000 each plus interest at LIBOR plus 3.25% (1999: LIBOR plus 3.25 %). Future minimum annual lease payments, net of interest, were $1,495,000 to mid 2004. In January, 2001 the Company's wholly owned subsidiary Compania Minera Dayton and the lessor agreed to monthly payments of $168,797 while the leased equipment is being marketed and sold. No outstanding balance is reported at December 31, 2000 reflecting permanent closure of the Andacollo Mine and the corresponding write off of assets and liabilities related to this operation. Under the Corporate guarantee, the Company will be liable for any shortfall of proceeds from the sale of the leased equipment required to repay the outstanding liability. The Company believes that the sales proceeds from the sale of the leased mining equipment should be adequate to repay outstanding lease liabilities and that there will be no further charges to future earnings.

9. SHARE CAPITAL

a. Authorized

Authorized share capital of the Company consists of 1,000,000,000 (1999: 1,000,000,000) common shares without par value

b. Issued and Allotted

	Number of Shares	Amount $ (000)
Issued and outstanding, December 31, 1998	40,856,779	59,251
Issued on conversion of convertible debentures and comprehensive Revaluation of assets and liabilities (note 1a)	310,500,000	(27,319)
Issued and outstanding, December 31, 1999	351,356,779	31,932
Issued: Stock Bonus Plan	255,000	21
Denton Rawhide acquisition (note 16a)	144,710,000	12,275
Mirage acquisition (note 16b)	44,339,606	3,761
Issued and outstanding prior to 1 for 20 consolidation	540,661,385	47,989
Issued and outstanding – consolidated	27,033,069	47,989
Issued on conversion of special warrants	4,090,905	5,821
Issued and outstanding, December 31, 2000	31,123,974	53,810

On June 16, 2000 the Company received receipts from the Securities Commissions for a net Cdn$8.6 million (U.S$5.9 million) special warrants financing allowing the issuance of 4,090,905 common shares.

c. Options

	Number	Weighted Average Exercise price, Canadian dollars	Expiry
Stock options, December 31, 1998	4,427,100	$ 2.67	1999-2003
Issued during the year	29,400,000	$ 0.12	2004
Cancelled during the year	(6,127,700)	$ 1.82	1991-2004
Stock options, December 31, 1999	27,699,400	$ 0.15	
Stock consolidation: 1 for 20	1,384,970	$ 2.90	2000-2005
Issued during the year	1,102,500	$ 1.01	2005
Cancelled during the year	(264,070)	$ 3.04	2000-2004
Stock options, December 31, 2000	2,223,400	$ 1.94	
Vested as at December 31, 2000	1,417,735	$ 2.39	

The following table summarizes information about stock options outstanding to directors, employees or consultants at December 31,2000.

Expiry Date	Exercise Price (Cdn $)	Number outstanding	Number vested
April 14, 2001	$ 165.00	200	200
March 26, 2002	45.00	600	600
March 26, 2002	112.00	400	400
February 4, 2003	48.00	10,000	10,000
February 15, 2003	45.00	200	200
April 27, 2004	2.40	825,000	825,000
June 29, 2004	1.86	187,500	125,000
June 29, 2004	2.40	69,500	46,334
December 9, 2004	1.90	100,000	66,667
December 31, 2004	2.30	45,000	15,000
May 28, 2005	0.95	985,000	328,334
		2,223,400	1,417,735

At December 31, 2000, the Company had a stock-based compensation plan, entitled the "1999 Stock Option and Stock Bonus Plan". Under this plan, the Company may grant up to 2,802,000 options to directors, employees, or consultants to purchase common shares of the Company. The option price equals the market price of the Company's common shares on the date of the grant, and the term of the options is a maximum of five years. One third of the options granted under this plan vest immediately, another third vest on the first anniversary date of the grant, and the remainder vest on the second anniversary date of the grant.

Under this plan the Company may also issue up to 310,000 common shares of the Company to directors, employees, or consultants as a stock bonus for past services performed for the Company.

10. GOLD CONTRACTS

At December 31, 2000 no gold contracts were outstanding.

At December 31, 1999, the Company's gold hedging program consisted of 30,000 ounces of spot deferred contracts at prices ranging from $304 to $314 per ounce, maturing at various dates from January 2000 to November 2000. The estimated fair value of the Company's gold contracts was $500,000 which represents the amount that the Company would have received on December 31, 1999 to settle these instruments prior to their expiry dates.

The credit risk exposure related to the Company's gold hedging activities is limited to the unrealized gains on outstanding contracts based on current market prices. The Company's gold hedging contract counterparties are large international credit-worthy institutions.

11. REVENUE

		Three Months Beforre Reorganization and Nine Months after Reorganization	
	Year ended Dec 31, 2000	Nine months ended Dec 31, 1999	Three months ended Mar 31,1999
Gold and silver sales	**$ 35,298**	$ 27,634	$ 9,302
Gold contract proceeds	**722**	2,672	1,069
Royalties	**(431)**	(586)	(189)
	35,589	29,720	10,182
Amortization of gold contracts	–	(3,400)	–
Sales	**$ 35,589**	**$ 26,320**	**$ 10,182**

As a result of the "fresh start" accounting referred to in note 1a, 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 expired at various dates to December 31, 1999 and were recognized against revenue over the life of the original contracts.

12. INCOME TAXES

Effective January 1, 2000 the Company adopted CICA 3465, "Accounting for Income Taxes". Income taxes are determined using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities and are measured using tax rates and laws that are expected to apply when the temporary differences are expected to reverse. This new standard also requires that when acquisitions are made and a difference exists between the cost of the asset and its tax basis, a future income tax liability or asset is recorded, and this amount is included in the initial carrying value of the asset acquired.

This new accounting standard, which was adopted on a retroactive basis, did not have a material effect on the financial statements for the years presented as all deferred tax assets were eliminated by the recording of a valuation allowance.

The reconciliation of the combined Canadian federal and provincial statutory income tax rates to the effective rate on net earnings and the source of differences is as follows:

	2000	1999 (Nine Months to December 31 after Comprehensive Revaluation)
Item	Effective Rate	Effective Rate
Loss, for the period	(45.6)	(45.6)
Writedowns, not deductible for tax	34.9	–
Other non-deductible costs	1.7	6.6
Losses, for which no-tax benefit has been realized		
USA	1.7	4.7
Chile	2.0	1.5
Canada	0.6	28.3
Difference between foreign tax rate and statutory rate		
USA	0.5	1.4
Chile	4.2	3.1
EFFECTIVE RATE	0.0	0.0

The magnitude and jurisdiction of the components of temporary differences are as follows:

	2000	
	USA	El Salvador
Tax value of depreciable assets	9,708	8,836
Book value of depreciable assets	9,157	4,184
Temporary Difference	551	4,652
Valuation Allowance	(551)	(4,652)
	0	0

The determination of the tax loss carry forward amounts by jurisdiction are as follows:

	Dec 31, 2000
Canada	228
Chile	10,050
USA	1,400
	11,678
Valuation Allowance	(11,678)
Future Tax Benefit	0

The Company's only material operating asset is the Denton-Rawhide Mine in Nevada. In the existing gold price environment management believes that this operation will be subject to alternative minimum tax which has an applicable federal tax rate of 20%. This operation is also subject to the Nevada Net Proceeds of Mines royalty which has rates varying between 0% and 5%.

The Company has certain resource related deductions and other losses which are available to be offset against future taxable income. The benefits of these deductions and losses are not reflected in these financial statements as there is sufficient uncertainty that the benefits will be realized. The Company has aggregate tax loss carry-forwards and deductions available to be utilized in future years totaling approximately $0.5 million in Canada, $67 million in Chile, $4 million for regular tax and $3 million for alternative minimum tax in the USA.

The non-capital loss carry-forwards in Canada expire in 2007; the losses in the United States expire between 2008 and 2015, and there is no expiry period for the losses available in Chile.

13. UNUSUAL ITEM

The Company announced on December 4, 2000 that its wholly owned subsidiary, Compañia Minera Dayton, owner of the Andacollo Gold Mine would begin permanently shutting down the mine and would start the process of liquidating assets. In conjunction with this decision Compañia Minera Dayton has made application to the relevant Chilean courts for the implementation of a Creditors' Plan to deal with all outstanding liabilities of Compañia Minera Dayton.

All assets and liabilities of Compañia Minera Dayton were deconsolidated at December 1, 2000 and have been written-off as an unusual item in the Company's 2000 income statement.

The Company believes that the liquidation of assets owned by Compañia Minera Dayton should yield sufficient funds to fully extinguish all liabilities and future responsibilities of Compañia Minera Dayton.

14. SEGMENTED INFORMATION

The Company has a joint venture interest in an operating gold mine in Nevada, USA, exploration activities in El Salvador, administrative offices in Canada and a permanently closed gold operation in Chile.

				Three Months Before and Nine Months After Comprehensive Revaluation		
		Year ended Dec 31, 2000		Nine months ended Dec 31, 1999		Three months ended Mar 31, 1999
Total Assets						
Canada	$	4,231	$	5,280	$	9,598
USA		20,131		–		–
El Salvador		4,184		–		–
Chile		17		43,264		59,026
Total	$	28,563	$	48,544	$	68,624
Total property, plant and equipment						
Canada	$	–	$	–	$	–
USA		9,157		–		–
El Salvador		4,184		–		–
Chile		–		26,847		43,175
Total	$	13,341	$	26,847	$	43,175
Revenue, excluding interest income						
Canada	$	674	$	(728)	$	1,069
USA		11,822		–		–
El Salvador		–		–		–
Chile		23,093		27,048		9,113
Total	$	35,589	$	26,320	$	10,182
Depreciation, depletion and amortization						
Canada	$	–	$	–	$	–
USA		2,644		–		–
El Salvador		–		–		–
Chile		3,835		4,700		2,180
Total	$	6,479	$	4,700	$	2,180
Net (loss) income						
Canada	$	(607)	$	(2,104)	$	411
USA		(1,493)		–		–
El Salvador		(959)		–		–
Chile		(28,329)		51		(1)
Total	$	(31,388)	$	(2,053)	$	(410)

15. JOINT VENTURE

The Company owns a 49% interest in the Denton-Rawhide Mine (see Business Combination note 16a).

The Company's interest in the joint venture is summarized as follows:

		2000
Cash and other non-cash working capital	$	7,960
Resource assets		9,157
Closure fund		2,769
Current liabilities		(1,651)
Long term liabilities		(3,767)
Net assets	$	14,468
Sales	$	11,774
Costs and expenses		(13,196)
Net (loss) before taxes	$	(1,422)
Cash flow from operating activities	$	191
Cash flow from investing activities		(10)

16. BUSINESS COMBINATION

a. Acquisition of Denton-Rawhide

Effective as of April 1, 2000, the Company acquired a 49% interest in the Denton-Rawhide joint venture from Kinross Gold Corporation. The Company issued 7,235,500 common shares (144,710,000 pre-consolidation shares) with a prescribed value of $12,275,400 and agreed to reimburse Kinross for the principal amount of the sinking fund from a portion of cash flow from the mine (see note 7).

Denton-Rawhide Mine estimates the aggregate post-closure costs, including site restoration and employee severance pay for its operations to be $3.794 million. The full liability has been accrued.

The acquisition was accounted for as a purchase of assets and the fair market value ascribed to the assets and liabilities is set out below.

		000's
Cash and receivables	$	451
Inventories and prepaids		5,471
Property, plant and equipment		11,824
Closure fund		2,118
Accounts payable and accruals		(1,677)
Post closure liability (note 7)		(3,794)
Loan from Kinross		(2,118)
Net Assets Acquired	$	12,275
Value of common shares issued	$	12,275

The purchase price does not include transaction costs of $190,000 which were paid from cash available to the Company at the time of the transaction.

Denton-Rawhide Mine is accounted for on the proportionate consolidation method and the operating results from April 1, 2000 are included in the financial results reported for the 2000 financial year.

The purchase price discrepancy is amortized using the unit of production method over estimated recoverable ounces of gold.

b. Acquisition of Mirage

On April 6, 2000, a wholly-owned subsidiary of the Company acquired via an amalgamation with Mirage Resource Corporation the El Dorado, Potonico and El Paisnal properties in El Salvador by issuing 888,049 common shares (17,760,090 pre-consolidation shares) of Dayton. In a companion transaction, the Company acquired from Kinross Gold Corporation loans made by Kinross to Mirage totalling $2,254,968 by issuing 1,328,975 common shares (26,579,516 pre-consolidation shares) to Kinross Gold Corporation. This transaction was accounted for using the purchase method and the fair market value ascribed to the assets is set out below.

		000's
Accounts receivable	$	4
Mineral Properties		3,757
Net Assets Acquired	$	3,761
Value of Equity for Mirage Shares	$	1,506
Value of Equity for Mirage Debt	$	2,255
	$	3,761

In addition cash acquisition costs relating to this purchase and totalling $427,000 were incurred and capitalized.

17. LOSS PER SHARE

Loss per share for 2000 has been calculated based on the equivalent post consolidation weighted average number of shares outstanding. For periods prior to the reorganization, loss per share has been calculated by increasing the reported net loss by the amount of the increase in the carrying amount of the equity element of the convertible debentures. Fully diluted per share figures are not presented as they are anti-dilutive.

Prior years per share figures have been restated for comparative purposes to conform to post consolidated shares outstanding.

18. CONTINGENCY

NET SMELTER ROYALTY

The Company's 100% interest in the Andacollo Gold Mine is subject to a 2% net smelter royalty. The terms of the royalty call for minimum annual royalty payments of $200,000 payable quarterly in arrears until an aggregate of $5,000,000 in royalty payments have been made or until the claims are abandoned. To December 1, 2000 (date of shut down) a total of $2.45 million had been paid by the operation. The Company may agree to guarantee the royalties owing by Andacollo on production during the shutdown period in order to facilitate the settlement of a dispute with the owner of this royalty (a former senior executive of the company) over the interpretation of the royalty agreement.

19. SUPPLEMENTARY CASH FLOW INFORMATION

a. Interest Paid During Year

			Three Months Before and Nine Months after Comprehensive Revaluation			
		Year ended Dec 31, 2000		Nine months ended Dec 31, 1999		Three months ended Mar 31,1999
Interest paid during the year	$	789	$	888	$	2,865

b. Non-cash Activities During the Year

During the year ended December 31, 2000 the company conducted non-cash operating, investing and financing activities as follows:

NON-CASH OPERATING ACTIVITIES		
Shares issued for general and administrative expenses		(21)
	$	(21)

NON-CASH INVESTING ACTIVITIES

Purchase price paid for Denton-Rawhide		(12,275)
Purchase price paid for Mirage		(3,761)
Closure fund acquisition		(1,849)
	$	(17,885)

NON-CASH FINANCING ACTIVITIES

Shares issued for general and administrative expenses		21
Shares issued for Denton-rawhide acquisition		12,275
Shares issued for Mirage acquisition		3,761
Loans from related parties		1,849
	$	17,906

20. UNITED STATES ACCOUNTING PRINCIPLES

The effect of the differences between Canadian GAAP and US GAAP on the Company's net loss for the year ended December 31, 2000 and the nine months and three months periods ending December 31, 1999 and March 31, 1999 respectively are summarized below:

(a) Under US GAAP, the convertible debenture interest would be classified entirely as a liability.

(b) Under US GAAP, securities that are available-for-sale are recorded at fair value and unrealized gains or losses are excluded from earnings and recorded as a separate component of shareholders' equity. Under Canadian GAAP, investments in marketable securities are written down when their market value has declined below their carrying value.

The significant changes in the consolidation financial statements relative to US GAAP were as follows:

Income Statement (in thousands of US dollars)

	Ref		**Year ended Dec 31, 2000**		Nine months ended Dec 31, 1999		Three months ended Mar 31, 1999
Net (loss) income following Canadian GAAP		$	**(31,388)**	$	(2,053)	$	410
Interest expense on convertible debentures	(a)		–		–		925
Unrealized loss on writedown of marketable securities	(b)		–		227		–
Net loss following US GAAP		**$**	**(31,388)**	**$**	**(1,826)**	**$**	**(515)**
Unrealized loss on writedown of marketable securities			–		(227)		–
Comprehensive loss, following US GAAP		**$**	**(31,388)**	**$**	**(2,053)**	**$**	**(515)**
Weighted average number of common shares, computed under US GAAP (thousands of shares)			**26,715**		17,568		2,043
Loss per share, following US GAAP		**$**	**(1.17)**	$	(0.12)	$	(0.30)

Balance Sheet (in thousands of US dollars)

		Dec 31, 2000		Dec 31, 1999
DEFICIT				
Adjusted deficit, beginning of period, per US GAAP	$	(2,053)	$	–
Net loss, following US GAAP		(31,388)		(2,053)
Adjusted deficit, end of period, per US GAAP	$	(33,441)	$	(2,053)

		Dec 31, 2000		Dec 31, 1999
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Accumulated other comprehensive loss, beginning of period, per US GAAP	$	(227)	$	–
Other comprehensive loss, per US GAAP		(–)		(227)
Accumulated other comprehensive loss, end of period, per US GAAP	$	(227)	$	(227)

The Company has determined that there is no impact from the adoption of SFAS No. 133 "Accounting For Derivative Instruments and Hedging Activities", which standardizes the accounting for derivative instruments.

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

William H. Myckatyn
Chairman of the Board
President & Chief Executive Officer

Scott M. Brunsdon
Senior Vice President &
Chief Financial Officer

Fred Earnest
Andacollo General Manager

Robert J. Johansing
President and General Manager,
Kinross El Salvador, S.A. de C.V.

DIRECTORS

William H. Myckatyn ●
Vancouver, British Columbia

Paul M. Blythe ●
Collingwood, Ontario

Robert M. Buchan ◆
Toronto, Ontario

Douglas D. Donald ■
New York, New York

David K. Fagin ◆
Englewood, Colorado

John W. Ivany ●
Toronto, Ontario

Catherine A. McLeod-Seltzer ■ ◆
West Vancouver, British Columbia

Johnathan C. Goodman ■
Toronto, Ontario

◆ Member of the Audit Committee
■ Member of the Compensation Committee
● Member of the Environmental Committee

Transfer Agent
Computershare Trust
Company of Canada
Toronto, Ontario
Vancouver, British Columbia

U.S. Transfer Agent
Computershare Trust Inc.
Lakewood, Colorado

Securities Listings
American Stock Exchange
Common Shares
Trading Symbol: DAY

Toronto Stock Exchange
Common Shares
Trading Symbol: DAY

SHARE INFORMATION

Shares Outstanding
31.1 million

Annual General Meeting
10:00 am Thursday, May 31, 2001
held at the Terminal City Club in
Vancouver, British Columbia

CORPORATE HEADQUARTERS

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CORPORATE PROFILE

Dayton Mining is an international mineral resource corporation engaged, both directly and indirectly and through its wholly-owned subsidiaries, in the acquisition, exploration and development of precious metals properties. Dayton Mining holds a 100% interest in the El Dorado property in El Salvador, 49% interest in the producing Denton -Rawhide Mine near Fallon, Nevada and 100% of the Andacollo Gold Mine in Central Chile.