

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



S.M. Brunson
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.



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 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
Debtore 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2000

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, Compañía Minera Dayton. Compañía 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 Compañía 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, Compañía 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 Compañía 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 Compañía 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

	YEAR ENDED DEC 31, 2000	THREE MONTHS BEFORE REORGANIZATION AND NINE MONTHS AFTER REORGANIZATION	
		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:

ITEM	2000	1999 (NINE MONTHS TO DECEMBER 31 AFTER COMPREHENSIVE REVALUATION)
	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, Compañía 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 Compañía Minera Dayton has made application to the relevant Chilean courts for the implementation of a Creditors' Plan to deal with all outstanding liabilities of Compañía Minera Dayton.

All assets and liabilities of Compañía 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 Compañía Minera Dayton should yield sufficient funds to fully extinguish all liabilities and future responsibilities of Compañía 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.

	ooo'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.

	ooo'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

	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
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.