

**WINFIELD RESOURCES LIMITED**

***Financial Statements***

**December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996**

***Auditor=s Report***

**To the Directors of  
WINFIELD RESOURCES LIMITED**

I have audited the balance sheets of Winfield Resources Limited as at December 31, 1999, December 31, 1998 and December 31, 1997 and the statements of operations and deficit and cash flows for the years ended December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996. These financial statements are the responsibility of the Corporation=s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999, December 31, 1998 and December 31, 1997 and the results of its operations and the changes in its cash flows for the years ended December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996 in accordance with generally accepted accounting principles.

***ASigned@***

Calgary, Alberta  
February 12, 2000  
(except Note 10 which is dated  
March #, 2000)

**STAN PELOSKI  
Chartered Accountant**

**WINFIELD RESOURCES LIMITED**  
**Balance Sheets**

**As at December 31**

	<u>Note</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
		\$	\$	\$
<b>Assets</b>				
Current Assets				
Cash		469	2,057	97
Short term deposit	7	5,750	-	-
Accounts receivable		23,969	20,545	18,419
Prepaid expenses		-	-	5,374
		<u>30,188</u>	<u>22,602</u>	<u>23,890</u>
Mineral Resource Properties	3	472,825	457,825	438,413
Deferred Expenditures	10	53,271	32,962	4,323
		<u>556,284</u>	<u>513,389</u>	<u>466,626</u>
<b>Liabilities</b>				
Current Liabilities				
Operating overdraft		972	-	-
Accounts payable and accrued liabilities		51,499	34,514	12,945
Due to shareholder corporation	9	2,579	-	12,105
		<u>55,050</u>	<u>34,514</u>	<u>25,050</u>
<b>Shareholders= Equity</b>				
Share Capital	4	733,811	653,811	584,656
Deficit		<u>(232,577)</u>	<u>(174,936)</u>	<u>(143,080)</u>
		<u>501,234</u>	<u>478,875</u>	<u>441,576</u>
		<u>556,284</u>	<u>513,389</u>	<u>466,626</u>

**Approved on Behalf of the Board:**

*Assigned@*

Director

*Assigned@*

Director

**WINFIELD RESOURCES LIMITED****Statements of Operations and Deficit****For the Years Ended December 31**

	<u>Note</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
		\$	\$	\$	\$
<b>Revenue</b>		-	-	-	-
<b>Expenses</b>					
General and administrative		<u>57,641</u>	<u>31,856</u>	<u>32,590</u>	<u>98,392</u>
Loss before income taxes		(57,641)	(31,856)	(32,590)	(98,392)
<b>Income taxes</b>	<b>5</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net loss</b>		(57,641)	(31,856)	(32,590)	(98,392)
Deficit, beginning of year		(174,936)	(143,080)	(110,490)	(12,098)
<b>Deficit, end of year</b>		<u>(232,577)</u>	<u>(174,936)</u>	<u>(143,080)</u>	<u>(110,490)</u>
<b>Loss per share</b>	<b>6</b>	<u>(0.007)</u>	<u>(0.004)</u>	<u>(0.005)</u>	<u>(0.018)</u>

**WINFIELD RESOURCES LIMITED**  
**Statements of Cash Flows**

**For the Years Ended December 31**

	<u>Note</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
		\$	\$	\$	\$
<b>Operating Activities</b>					
Net loss and cash flow deficiency from operations		(57,641)	(31,856)	(32,590)	(98,392)
Change in non-cash working capital related to operating activities		13,561	32,911	(4,613)	3,804
Cash used in operating activities		<u>(44,080)</u>	<u>1,055</u>	<u>(37,203)</u>	<u>(94,588)</u>
<b>Financing Activities</b>					
Deferred expenditures		(20,309)	(29,764)	(4,323)	-
Advances from/(to) shareholder corporation		2,579	(12,105)	11,500	(5,880)
Issuance of share capital		80,000	69,155	108,485	99,500
Income tax benefits renounced on the issuance of flow-through shares		-	-	(9,700)	-
Cash provided by financing activities		<u>62,270</u>	<u>27,286</u>	<u>105,962</u>	<u>93,620</u>
<b>Investing Activities</b>					
Short term deposit		(5,750)	-	-	-
Mineral resource property		(15,000)	(19,412)	(70,763)	(2,685)
Income tax benefits renounced on the issuance of flow-through shares		-	-	9,700	-
Change in non-cash working capital related to investing activities		-	(6,969)	(7,913)	(27,033)
Cash used in investing activities		<u>(20,750)</u>	<u>(26,381)</u>	<u>(68,976)</u>	<u>(29,718)</u>
<b>Increase in cash</b>		<b>(2,560)</b>	<b>1,960</b>	<b>(217)</b>	<b>(30,686)</b>
Cash, beginning of year		2,057	97	314	31,000
<b>Cash (deficiency), end of year</b>		<b><u>(503)</u></b>	<b><u>2,057</u></b>	<b><u>97</u></b>	<b><u>314</u></b>
<b>Cash (deficiency) comprises:</b>					
Cash		469	2,057	97	314
Operating overdraft		<u>(972)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(503)</u>	<u>2,057</u>	<u>97</u>	<u>314</u>
<b>Cash Flow Deficiency from Operations per share</b>	<b>6</b>	<b>(0.007)</b>	<b>(0.004)</b>	<b>(0.005)</b>	<b>(0.018)</b>

**WINFIELD RESOURCES LIMITED**  
**Notes to Financial Statements**

**December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996**

---

**1. Nature of Business**

Winfield Resources Limited (the Corporation) was incorporated under the British Columbia Company Act on June 19, 1987. The Corporation's primary focus is the evaluation, acquisition, exploration and development of resource properties.

**2. Significant Accounting Policies**

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies are summarized below:

**MINERAL RESOURCE PROPERTIES**

All expenditures relating to the acquisition of mining claims and permits and exploration thereof have been capitalized. The Corporation is presently evaluating these properties for the presence of mineral resources. Such resources have yet to be identified and accordingly the costs related to these properties are not yet subject to depletion. When a commercially acceptable level of sales has been attained, these capitalized costs will be depleted, using the unit of production method based upon estimated proven reserves as determined by independent engineers.

Management has determined that, at present, the Corporation has no material obligation for future removal and site restoration costs.

**MEASUREMENT UNCERTAINTY**

The carrying value assigned to the mineral resource properties is based on actual costs incurred. The ability of the Corporation to recover these costs is dependent upon the existence of economically recoverable reserves, obtaining the financing necessary to complete their development and upon future profitable operations.

**3. Mineral Resource Properties**

	<u>1999</u>	<u>1998</u>	<u>1997</u>
	\$	\$	\$
Options on properties	53,500	38,500	23,500
Exploration expenses	419,325	419,325	414,913
Net book value	<u>472,825</u>	<u>457,825</u>	<u>438,413</u>

Net book value not subject to deduction for income tax purposes, being costs renounced pursuant to the issuance of flow-through shares [Note 4], net of related income tax benefits.	408,100	408,100	408,100
--	---------	---------	---------

---

**EXPROPRIATION**

Mineral resource property, having a cost of approximately \$78,800 and a net book value of approximately \$61,000, has been expropriated by the Province of British Columbia. Pursuant to the applicable legislation, compensation is payable, to the Corporation in an amount equal to the fair market value of the rights expropriated. The Corporation's rights in the property continue in good standing pending receipt of the compensation.

WINFIELD RESOURCES LIMITED  
**Notes to Financial Statements**

December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996

---

**4. Share Capital**

**AUTHORIZED**

250,000,000 common shares without par value

**ISSUED**

	<b>Number</b>	<b>Amount</b>
	<b>#</b>	<b>\$</b>
<b>Balance, December 31, 1995</b>	1,978,581	386,371
For cash	400,000	100,000
Share issuance costs		(500)
<b>Balance, December 31, 1996</b>	2,378,581	485,871
For cash	259,940	64,985
For cash pursuant to flow-through share agreements	176,000	44,000
Adjustment for income tax benefits renounced on issuance of flow-through shares		(9,700)
Share issuance costs		(500)
<b>Balance, December 31, 1997</b>	2,814,521	584,656
For cash	56,620	14,155
Balance, before share subdivision	2,871,141	598,811
Additional shares issued January 23, 1998 pursuant to share subdivision	4,306,712	
For cash	550,000	55,000
<b>Balance, December 31, 1998</b>	7,727,853	653,811
For cash	800,000	80,000
<b>Balance, December 31, 1999</b>	8,527,853	733,811

**SHARE SUBDIVISION**

On January 23, 1998, the shareholders of the Corporation passed a special resolution increasing the authorized capital from 100,000,000 common shares to 250,000,000 common shares and subdividing the issued and outstanding common shares on the basis of 2.5 new shares for every 1 existing share.

**FLOW-THROUGH SHARES**

Under the provisions of the Income Tax Act (the "Act"), a corporation may issue shares, the proceeds of which are used to incur "qualifying expenditures" as defined in the Act. The subscriber for these shares, and not the corporation, is entitled to deduct these "qualifying expenditures" for Income Tax purposes.

WINFIELD RESOURCES LIMITED  
**Notes to Financial Statements**

December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996

---

**4. Share Capital, continued**

**STOCK OPTION PLAN**

The Corporation has established a Stock Option Plan (the Plan), for the benefit of directors, officers, employees and consultants. Under the Plan, the directors may reserve, from treasury, a number of shares not exceeding 10% of the issued and outstanding common shares of the Corporation for the granting of options to designated recipients. At December 31, 1999, the Corporation has reserved 1,100,000 common shares at a price of \$0.25 per share for the granting of options under the Plan. The prospectus associated with the proposed initial public offering [Note 10] will also serve to qualify, for distribution, the 1,100,000 common shares so reserved. Upon the closing of the offering, the Corporation intends to grant options, under the Plan, in respect of 1,100,000 common shares. The options will be exercisable for a period of five years from that date.

**5. Income Taxes**

**LOSSES**

The Corporation has losses for income tax purposes, of approximately \$234,800 available to reduce taxable incomes of future years, as follows:

	\$
2000	2,100
2001	5,000
2002	4,900
2003	98,900
2004	33,200
2005	32,500
2006	58,200
	<u>234,800</u>

The potential future income tax benefits of these losses have not been recognized in the accounts.

**TAX POOLS**

The Corporation also has income tax pools of approximately \$65,000, available to reduce taxable incomes of future years at the annual rates indicated:

	<u>Rate</u>	\$
Canadian development expense	30%	53,500
Canadian exploration expense	100%	11,200
Share issuance costs	1/5	300
		<u>65,000</u>

**WINFIELD RESOURCES LIMITED**  
**Notes to Financial Statements**

**December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996**

---

**6. Per Share Amounts**

Per share amounts are calculated using the weighted number of shares outstanding of 8,068,401 (1998 - 7,304,833; 1997 - 6,477,460; 1996 - 5,598,365), calculated on the basis of the 1998 share subdivision applied retroactively.

**7. Commitments and Contingencies**

**PROPERTY OPTION AGREEMENTS**

The Corporation is committed, pursuant to Property Option Agreements with respect to mineral resource properties, to the following payments:

	<u>Option Payments</u>	<u>Exploration Expenditures</u>
	\$	\$
2000	59,500	288,270
2001	61,000	800,000
2002	26,000	850,000
2003	1,000	250,000
thereafter	4,000	-
	<u>151,500</u>	<u>2,188,270</u>

The Corporation is also committed, pursuant the Property Option Agreements, to the issuance of up to 250,000 common shares at a deemed price of \$0.25 per share. Of these shares, 150,000 are solely contingent upon approval of the appropriate securities regulatory authorities and 100,000 are also contingent upon the Corporation electing to continue to explore the related property. The prospectus associated with the proposed initial public offering [Note 10] will also serve to qualify, for distribution, the 150,000 common shares to be issued in respect of this commitment.

**FINDERS FEE**

The Corporation is committed to the issuance of 50,000 common shares, at a deemed price of \$0.25 per share, in return for services provided by a third party in arranging one of the option agreements. The issuance of these shares is contingent upon approval of the appropriate securities regulatory authorities. The prospectus associated with the proposed initial public offering [Note 10] will also serve to qualify, for distribution, the 50,000 common shares to be issued in respect of this commitment.

**CONTINGENT LIABILITY**

The Corporation is contingently liable for debts arising from the use of a Corporate credit card and has assigned its short term deposit as security for such debts.

**WINFIELD RESOURCES LIMITED**  
**Notes to Financial Statements**

**December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996**

---

**8. Financial Instruments**

The Corporation's financial instruments consist of accounts receivable, accounts payable and accrued liabilities and an amount due to a shareholder corporation. The fair values of the financial instruments other than the amount due to a shareholder corporation approximate their carrying amounts due to the short term maturity of those instruments. The fair value of the amount due to a shareholder corporation also approximates its carrying amount. due to the floating rate of interest.

The Corporation is not exposed to significant credit risk or interest rate risk.

**9. Related Party Transactions**

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	\$	\$	\$	\$
Legal costs paid to a firm which employs a shareholder of the Corporation:				
Included in share issuance costs	-	500	500	1,000
Included in general and administrative expenses	5,709	12,263	5,086	3,373
	<u>5,709</u>	<u>12,763</u>	<u>5,586</u>	<u>4,373</u>
Management fees paid to a shareholder corporation which is controlled by a director of the Corporation.	24,000	9,073	16,500	93,282

The amount due to a shareholder corporation is non-interest bearing and has no formal terms of repayment.

**10. Subsequent Events**

**INITIAL PUBLIC OFFERING AND AGENCY AGREEMENT**

The Corporation proposes to undertake an initial public offering (the offering) of 2,600,000 shares, at a price of \$0.25 per share, through the facilities of the Canadian Venture Exchange. Accordingly, the Corporation also proposes to enter into an Agency Agreement dated #, 2000, with Union Securities Ltd. whereby the agent will undertake the offering on a best efforts basis. The agent's fees, commissions and other costs with respect to the

offering are expected to approximate \$162,000. In addition, the agent will receive warrants to purchase up to 130,000 common shares of the Corporation at a price of \$0.25 per share, such option to expire on the first anniversary date of the closing of the offering. The offering is subject to prior approval of the appropriate securities regulatory authorities.

The prospectus associated with the offering will also serve to qualify 1,100,000 common shares for distribution on exercise of options under the Stock Option Plan [Note 4], 200,000 common shares for distribution pursuant to property option agreements and the finders fee [Note 7] and 8,877,853 common shares for distribution on exercise of the share purchase warrants described below.

Deferred expenditures represent costs incurred with respect to the offering.

December 31, 1999, December 31, 1998, December 31, 1997 and December 31, 1996

---

## 10. Subsequent Events, continued

### ESCROWED SHARES

Pursuant to an Escrow Agreement dated March 21, 2000 all common shares issued prior to the offering will be deposited with the Pacific Corporate Trust Company to be held in escrow. The Escrow Agreement provides that the escrowed shares may not be traded, released, transferred or dealt in any manner without the consent of the Executive Director of the Alberta Securities Commission. The Executive Director will normally consent to the release of 15% of the escrowed shares upon completion of the offering, a further 25% upon completion of the Corporation's work program and a further 15% on each of the second, third, fourth and fifth anniversaries of the initial release, but may consent to an early release.

These shares are also subject to a Voluntary Pooling Agreement, dated February 11, 2000, whereby they will be held by a trustee for a period of three years from the date of listing on the Canadian Venture Exchange. In addition, any common shares issued to the Pooled Shareholders upon the exercise of share purchase warrants will be subject to the terms of this Agreement.

### SHARE PURCHASE WARRANTS

The Corporation proposes to offer common share purchase warrants to the holders of 8,877,853 common shares issued prior to the proposed public offering (including 350,000 common shares issued subsequent to December 31, 1999). The warrants will be issued on the basis of 1 warrant for each eligible common share held and will become effective upon the issuance of a receipt for the prospectus qualifying the warrants. The holders thereof will be entitled to subscribe for common shares of the Corporation at a price of \$0.50 per share until the first anniversary of the issuance of the warrants and \$0.60 per share thereafter until the second anniversary of the issuance of the warrants, being the expiry date thereof.

## 11. Uncertainty Due to the Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue which may affect the Corporation, including those related to the efforts of suppliers or other third parties, have been fully resolved.