Financial Statements of

FM RESOURCES CORP.

Years ended December 31, 1999 and 1998

AUDITORS' REPORT

To the Shareholders of

FM Resources Corp.

We have audited the balance sheets of FM Resources Corp. as at December 31, 1999 and 1998 and the statements of operations and deficit and cash flows for the years then ended. These 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 Canadian generally accepted auditing standards. 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

"KPMG LLP"

Chartered Accountants

Abbotsford, Canada
April 18, 2000

FM RESOURCES CORP.

Balance Sheet

December 31, 1999 and 1998

	1999	1998
Assets		
Current assets:		
Cash	$ 2,094	$ 1,269
Accounts receivable	28,519	10,771
	30,613	12,040
Capital assets (Note 5)	7,869	105,046
Milling credits (Note 3)	1	100
Mineral properties (Note 4)	483,600	1,858,323
Deferred exploration and development expenditures (Note 4)	80,000	7,041,753
	$ 602,083	$ 9,017,262
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	$ 375,868	$ 323,035
Loan payable, without interest or fixed terms of repayment	124,600	7,798
	500,468	330,833
Loan payable, without interest or fixed terms of repayment (Note 7)	825,000	825,000
Gold-Based Investment Contracts (Note 6)	1,000,000	2,140,000
Shareholders' equity (deficiency):		
Share capital (Note 8)	14,425,998	13,280,998
Contributed surplus (Note 7)	305,000	305,000
Deficit	(16,454,383)	(7,864,569)
	(1,723,385)	5,721,429
Future operations (Note 1)		
	$ 602,083	$ 9,017,262

Approved by the Directors:

"***H. Chris Schultze***"

"***Luard Manning***"

See accompanying notes to financial statements.

FM RESOURCES CORP.

Statements of Operations and Deficit

Years ended December 31, 1999 and 1998

	1999	1998
Administrative expenses:		
Administration	$ 55,000	$ -
Advertising	1,691	309
Computer expenses	9,339	5,806
Depreciation	6,155	6,125
Filing and transfer fees	8,826	23,284
Interest and bank charges	22,147	10,486
Investor relations and promotion	140	5,000
Mailing costs	237	13,074
Management fees	71,200	74,787
Office expenses	5,689	43,059
Printing	2,311	11,218
Professional fees	33,955	134,540
Rent	23,270	46,569
Telephone	3,325	7,170
Travel	-	2,023
Wages and benefits	-	72,114
	243,285	455,564
Other expenses (income):		
Interest income	(165)	(1,182)
Gain on settlement of accounts payable	(50,350)	
Loss (gain) on foreign exchange	33	(546)
Loss on disposal of capital assets	89,177	92,024
Write-off of milling credits	99	524,487
Write-off of mineral properties and related deferred costs	8,307,735	512,820
	8,346,529	1,127,603
Loss for the year	(8,589,814)	(1,583,167)
Deficit, beginning of year	(7,864,569)	(6,281,402)
Deficit, end of year	$ (16,454,383)	$ (7,864,569)

See accompanying notes to financial statements.

FM RESOURCES CORP.

Statements of Cash Flows

Years ended December 31, 1999 and 1998

	1999	1998
Cash provided by (used in)		
Operations:		
Loss for the year	$ (8,589,814)	$ (1,583,167)
Add (deduct):		
Items not affecting working capital:		
Depreciation	6,155	6,125
Loss on disposal of capital assets	89,177	92,024
Write-off of mineral properties and related deferred costs	99	524,487
Write-off resource properties	8,307,735	512,820
Non-cash working capital items:		
Accounts receivable	(17,748)	(3,533)
Accounts payable and accrued liabilities	52,833	54,492
	(151,563)	(396,752)
Investments:		
Proceeds on disposal of capital assets	1,845	720
Capital asset additions	-	(4,120)
Deferred exploration expenditures, net of recoveries	28,741	200,231
Mineral property expenditures	-	(21,410)
	30,586	175,421
Financing:		
Share capital issued	5,000	175,196
Loan payable	116,802	7,798
Gold-Based Investment Contracts	-	(25,000)
	121,802	182,994
Increase (decrease) in cash during the year	825	(38,337)
Cash, beginning of year	1,269	39,606
Cash, end of year	$ 2,094	$ 1,269

Supplementary cash flow information (Note 15)

See accompanying notes to financial statements.

1. Future operations:

The Company is incorporated under the laws of British Columbia, Canada and its principal business activities include the exploration and development of mineral properties.

These financial statements are prepared on the basis that the Company will continue to operate as a going concern. The Company has incurred operating losses and significant development costs relating to its mineral property interests which have been deferred, and has a working capital deficiency of $469,855 and a deficiency in assets of $1,723,385 at December 31, 1999. The continued operations of the Company and the ability of the Company to recover amounts shown for mineral properties and deferred exploration and development expenditures and discharge its liabilities in the normal course of business are dependent upon the continued financial support of the Company's creditors, obtaining adequate financing and the existence of economically viable reserves in its mineral properties.

2. Summary of significant accounting policies:

(a) Capital assets:

Capital assets are recorded at cost and are depreciated on the declining balance basis at 20% per annum, commencing in the first year of use.

(b) Mineral properties and deferred exploration and development expenditures:

The Company records its interests in mineral properties at cost and has capitalized development costs specifically identifiable to the properties. When commercial production is achieved for a specific property, the costs capitalized will be amortized against revenue realized on production from the property. In the event of the abandonment of a property, the costs capitalized for that property are written-off to operations. The amounts shown for mineral properties represent costs for the acquisition and development of the properties incurred to date and do not necessarily reflect present or future values.

(c) Use of estimates:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

(d) Adoption of new accounting standard:

In June 1998, the Canadian Institute of Chartered Accountants issued Section 1540, Cash Flow Statements, which is required to be adopted for fiscal years beginning on or after August 1, 1998. Section 1540 establishes new standards for the presentation of an enterprise's cash flows and related information. The Company had adopted Section 1540 for the year ended December 31, 1999 and has restated prior years' amounts to reflect the new standard.

2. Summary of significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

3. Milling credits:

During the year ended December 31, 1998 the Company sold mill equipment totalling $524,587 to a proposed co-venturer in the Company's La Forma property (Note 4), in exchange for milling credits. These credits were to be used in the future to offset the Company's proportionate share of milling costs of ore mined. The proposed co-venturer has appointed a receiver and it became unlikely that the milling credits would be utilized and therefore they were charged to operations in the year ended December 31, 1998.

4. Mineral properties and deferred exploration and development expenditures:

	1999	1998
Mineral property acquisitions:		
La Forma	$ 483,600	$ 1,276,688
Goldstar	-	398,000
Antoniuk	-	75,000
Ant	-	103,835
Seymour Creek	-	4,800
	$ 483,600	$ 1,858,323
Deferred exploration and development expenditures:		
Balance, beginning of year	$ 7,041,753	$ 7,659,903
Incurred during the year:		
Consulting fees	11,259	10,825
Field assessment work	-	2,400
Field overhead	-	(2,957)
Travel	-	477
	11,259	10,745
Recovery of costs on sale of milling buildings and equipment	-	(210,976)
Write-off deferred costs	(6,973,012)	(417,919)
Balance, end of year	$ 80,000	$ 7,041,753

4. Mineral properties and deferred exploration and development expenditures (continued):

The Company owns or holds under option four contiguous claim groups in the vicinity of Mount Freegold, Yukon Territory, as follows:

(a) La Forma property:

The Company owns a 100% interest in the La Forma property. During 1999, due to a lack of current and foreseeable activity, the investment in the La Forma property has been written down to its estimated recoverable value of $483,600.

(b) Goldstar property:

The Company owns a 100% interest in the Goldstar property. During the year ended December 31, 1996 the Company completed its 100% acquisition of the Goldstar property with a payment of $50,000 in cash and the issuance of 300,000 shares. In 1999, due to a lack of current and foreseeable activity, the investment in the Goldstar property has been written-off.

(c) Ant claims:

The Company owns a 100% interest in the Ant property. The property is subject to a 3% net smelter returns royalty, of which 2% may be purchased by the Company for $1,000,000 for each 1%. In 1999, due to a lack of current and foreseeable activity, the investment in the Ant claims has been written-off.

(d) Antoniuk claims:

The Company owns a 100% interest in the Antoniuk property. The two former owners of the property will be entitled to a return on their capital investment in the property, totalling $3,000,000 from the proceeds of commercial production. In addition, the property is subject to a 2% net smelter returns royalty which may be purchased by the Company for $500,000 for each 1%. In 1999, due to a lack of current and foreseeable activity, the investment in the Antoniuk claims has been written-off.

Whalesback property:

During the year ended December 31, 1998, the Company acquired an option to earn a 50% interest in the Whalesback and Shoal Arm properties located in the Springdale Peninsula, Newfoundland. Total consideration to be paid to earn the 50% interest will be $25,000 cash of which $15,000 is unpaid, the issuance of 100,000 common shares at a deemed value of $0.60 per share and an agreement that the Company pay for exploration expenditures totalling $1,000,000 over 4 years. During the year ended December 31, 1998 the Company decided not to exercise its option on this property and accordingly the Company wrote off $94,901 in mineral property and deferred exploration and development costs. During the year ended December 31, 1999, the remaining interest in the Whalesback property was written-off.

5. Capital assets:

	1999	1998
Office furniture and equipment	$ 29,011	$ 29,011
Coin moulds	1	91,023
	29,012	120,034
Accumulated depreciation office furniture and equipment	21,143	14,988
	$ 7,869	$ 105,046

During the year ended December 31, 1999, the Company wrote-down its coin moulds to a nominal value of $1.

6. Gold-Based Investment Contracts:

	1999	1998
Gold purchase contracts	$ 262,500	$ 262,500
Gold-based investment contract units	737,500	1,877,500
	$ 1,000,000	$ 2,140,000

Units:

Each Gold-Based Investment Contract Unit (GBIC Unit) is comprised of one Gold-Based Investment Contract (GBIC) with a face denomination of $1,250 and one warrant for the purchase of 50 common shares of the Company at a price of $1.25 per share in the first year and $1.50 in the second year, commencing on the date that written subscription agreements were executed.

Each GBIC entitles the purchaser to receive 110 grams of gold if, as and when produced from the Company's Mount Freegold Properties (Note 4). Should the Company fail to deliver gold pursuant to the terms of the GBIC, the purchaser has the right to convert the purchase price of the GBIC into common shares of the Company at prices of $40.00 per share in the 1998 fiscal year, $45.00 per share in the 1999 fiscal year and $50.00 per share in the 2000 fiscal year. In the event that gold has not been delivered pursuant to a GBIC by December 31, 2000, the purchaser shall be deemed to have exercised his conversion right thereunder.

During the year ended December 31, 1999, 892 GBIC's were converted to 24,482 common shares at a conversion value of $1,102,500.

6. Gold-Based Investment Contracts (continued):

Contracts:

Each Gold Purchase Contract (GPC) has a face denomination of $3,750, and entitles the holder thereof to receive gold produced from the Company's Mount Freegold properties (see Note 4). If the Company is unable to deliver gold pursuant to a GPC at the end of the 1999 year, the holder has the option to convert each GPC into 250 common shares of the Company. For so long as this option is not exercised, the Company may deliver gold pursuant to the GPC up to the end of the year 2000. If the gold has not been delivered pursuant to a GPC by the end of the year 2000, the holder will be issued 250 common shares for each GPC in respect of which no gold was delivered.

During the year ended December 31, 1999, 10 GPC's were converted to 2,500 common shares at a conversion value of $37,500.

7. Contributed surplus:

During the year ended December 31, 1996 the Company received share subscriptions totalling $4,847,817. The Vancouver Stock Exchange (the "Exchange") did not approve the issuance of shares pursuant to the original subscription agreements. Also during the year ended December 31, 1996, $825,000 of these share subscriptions were converted into a loan payable. The subscriptions were later approved subsequent to the Company being reinstated to the Exchange. Shares in the amount of $3,605,784 were issued to satisfy the subscriptions. However, two subscribers chose not to purchase shares pursuant to the amended subscription agreement and have requested repayment of their respective subscription payments. This balance payable totalling $87,033 (1998 - $87,033) has been included in accounts payable and accrued liabilities.

A further $305,000 of the original share subscriptions required neither the issuance of shares pursuant to the amended subscription agreement, nor the repayment of the funds. This balance is recorded in the accounts as contributed surplus.

8. Share capital:

Authorized: 100,000,000 Common shares without par value

Issued:

	Number of shares	Amount
Balance, December 31, 1997	30,727,103	$ 13,020,802
Reduction of stated share capital	(29,190,748)	-
Shares issued during 1998:		
For cash	687,044	175,196
For acquisition of property	100,000	60,000
Conversion of gold-based investment contract	625	25,000
Balance, December 31, 1998	2,324,024	13,280,998
Escrow shares cancelled	(17,624)	-
Shares issued during 1999:		
For cash	33,334	5,000
Conversion of gold-based investment contract	24,482	1,102,500
Conversion of gold purchase contract	2,500	37,500
Balance, December 31, 1999	2,366,716	$ 14,425,998

(a) Share purchase warrants:

The following share purchase warrants were outstanding as at December 31, 1999:

Number of Shares	Price	Expiry Date
545,866	$ 0.30	May 29, 2000

(b) Stock options:

The following stock options were outstanding at December 31, 1999:

Number of Shares	Price	Expiry Date
35,000	$ 6.00	October 8, 2002
13,750	$ 3.00	November 14, 2002

8. Share capital (continued):

(c) Share consolidation**:**

At an extraordinary general meeting held March 25, 1998, the shareholders of the Company approved a resolution consolidating the number of common shares issued and outstanding on a 20 to 1 basis. Subsequent to the consolidation of the common shares, the authorized share capital was increased to 100,000,000 common shares.

(d) Restricted shares:

As at December 31, 1999, nil (1998 - 18,747) issued shares are held subject to an escrow agreement. Approval by the regulatory authorities is required for the transfer or release of these shares. During the year ended December 31, 1999, 18,747 shares held in escrow were cancelled.

9. Income taxes:

The benefit of the following losses and expenses for tax purposes has not been reflected in the accompanying financial statements:

(a) Non-capital losses:

The Company has estimated non-capital losses totalling $745,000 from the current and prior years available for application against future years' taxable incomes. These losses expire as follows:

2001	$ 542,000
2002	4,000
2003	4,000
2004	4,000
2005	4,000
2006	187,000
	$ 745,000

(b) Capital losses:

The Company has capital losses totalling $817,000 available for application against future capital gains with no expiry date.

(c) Canadian exploration and development expenses:

The Company has available Canadian exploration and development expenses estimated at $12,537,000 available for application against future taxable income with no expiry date.

10. Directors' remuneration and related party transactions:

The following fees were paid or accrued to directors and officers of the Company:

	Year ended December 31 1999	1998
Management fees to a company controlled by a director	$ 71,200	$ 44,680
Management fees to a company controlled by a director	-	30,107
Legal fees paid to an officer	8,527	54,531

11. Subsequent events:

In January 2000, 15 Gold Purchase Contracts (GPC's) were converted to share capital. The conversion resulted in the issuance of 3,750 common shares at a value of $56,250.

12. Fair value of financial instruments:

For certain of the Company's financial instruments including accounts receivable and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

The fair value of the Gold-Based Investment Contracts and the loans payable is not practicable to determine.

13. Name change:

At a special meeting of shareholders held on March 25, 1998, the shareholders of the Company approved the change of the name of the Company from Redell Mining Corp. to FM Resources Corp.

14. Comparative figures:

Certain of the prior years figures have been reclassified to conform with the financial presentation adopted in 1999.

15. Supplemental disclosure of non cash investing and financing activities:

During the year ended December 31, 1999, the Company issued 24,482 common shares as part of the conversion of 892 Gold Based Investments contracts at a conversion value of $1,102,500.

Also, during the year ended December 31, 1999, the Company issued 2,500 common shares as part of the conversion of 10 Gold Purchase Contracts at a conversion value of $37,500.

During the year ended December 31, 1998, the Company issued 625 common shares as part of the conversion of 20 Gold Based Investment Contracts at a conversion value of $25,000.