Financial Statements of

FM RESOURCES CORP.

Years ended December 31, 2000 and 1999

AUDITORS' REPORT

To the Shareholders of

FM Resources Corp.

We have audited the balance sheets of FM Resources Corp. as at December 31, 2000 and 1999 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, 2000 and 1999 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 after giving retroactive effect to the change in method of accounting for income taxes explained in Note 1 to the financial statements on a consistent basis.

Chartered Accountants

Abbotsford, Canada
May 10, 2001

FM RESOURCES CORP.

Balance Sheet

December 31, 2000 and 1999

	2000	1999
Assets		
Current assets:		
Cash	$ 14,014	$ 2,094
Accounts receivable	7,155	28,519
	21,169	30,613
Capital assets (Note 3)	-	7,869
Milling credits	-	1
Mining capital assets held for resale (Note 4)	215,000	483,600
Deferred exploration and development expenditures (Note 5)	80,000	80,000
	$ 316,169	$ 602,083
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 426,726	$ 375,868
Loans payable (Note 6)	990,524	949,600
Gold-Based Investment Contracts (Note 7)	-	1,000,000
Shareholders' deficiency:		
Share capital (Note 8)	15,425,998	14,425,998
Contributed surplus	305,000	305,000
Deficit	(16,832,079)	(16,454,383)
	(1,101,081)	(1,723,385)
Future operations (Note 1)		
	$ 316,169	$ 602,083

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, 2000 and 1999

	2000	1999
Administrative expenses:		
Administration	$ 69,000	$ 55,000
Computer expenses	10,188	9,339
Depreciation	3,832	6,155
Filing and transfer fees	7,076	8,826
Interest and bank charges	57,543	22,147
Management fees	11,480	71,200
Office expenses	9,394	13,393
Professional fees	15,980	33,955
Rent	16,074	23,270
Travel	4,083	-
	204,650	243,285
Other expenses (income):		
Interest and miscellaneous income	(5,401)	(165)
Gain on settlement of accounts payable	-	(50,350)
Loss on foreign exchange	-	33
Loss on disposal of capital assets	3,492	89,177
Loss on disposal of mining capital assets held for resale	65,604	-
Write-off of milling credits	1	99
Write-off of mining capital assets held for resale and related deferred costs	109,350	8,307,735
	173,046	8,346,529
Loss for the year	(377,696)	(8,589,814)
Deficit, beginning of year	(16,454,383)	(7,864,569)
Deficit, end of year	$ (16,832,079)	$ (16,454,383)

See accompanying notes to financial statements.

FM RESOURCES CORP.

Statements of Cash Flows

Years ended December 31, 2000 and 1999

	2000	1999
Cash provided by (used in)		
Operations:		
Loss for the year	$ (377,696)	$ (8,589,814)
Items not affecting cash:		
Depreciation	3,832	6,155
Loss on disposal of capital assets	3,492	89,177
Loss on disposal of mining capital assets held for resale	65,604	-
Write-off of mining capital assets held for resale and related deferred costs	109,350	8,307,735
Write-off of milling credits	1	99
Non-cash working capital items:		
Accounts receivable	21,364	(17,748)
Accounts payable and accrued liabilities	50,858	52,833
	(123,195)	(151,563)
Investments:		
Proceeds on disposal of capital assets	545	1,845
Mining capital asset recoveries, net of expenditures	102,896	-
Deferred exploration expenditures, net of recoveries	(9,250)	28,741
	94,191	30,586
Financing:		
Loan payable	40,924	116,802
Share capital issued	-	5,000
	40,924	121,802
Increase in cash during the year	11,920	825
Cash, beginning of year	2,094	1,269
Cash, end of year	$ 14,014	$ 2,094

Supplementary cash flow information (Note 13)

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 written down to the estimated recoverable amount, and has a working capital deficiency of $405,557 and a deficiency in assets of $1,101,081 at December 31, 2000. Eighty nine percent of the Company liabilities are owed to one individual and a company related to this individual. The continued operations of the Company and the ability of the Company to recover amounts shown for deferred expenditures and capital assets and discharge its liabilities in the normal course of business are dependent upon the continued financial support of an individual creditor and a company related to this individual and the Company's other 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.

During the year ended December 31, 2000, the Company disposed of all its capital assets.

(b) Mining capital assets held for resale:

Mining capital assets held for resale are recorded at estimated net realizable value.

(c) Deferred exploration and development expenditures:

The Company has capitalized exploration and development costs specifically identifiable to mineral 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. These exploration and development costs have been written down to an estimated net realizable value.

(d) Stock based compensation:

The Company has stock based compensation plans, which are described in Note 8. No compensation expense is recognized for these plans when stock or stock options are issued to employees or directors. Consideration paid by employees or directors on the exercise of stock options is credited to common shares.

2. Summary of significant accounting policies (continued):

(e) Income taxes:

The Company changed its policy for accounting for income taxes by adopting the Canadian Institute of Chartered Accountants Handbook Section 3465 “Income Taxes.” This required a change from the deferral method of accounting for taxes to the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(f) 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.

3. Capital assets:

	2000	1999
Office furniture and equipment	$ -	$ 29,011
Coin moulds	-	1
	-	29,012
Accumulated depreciation, office furniture and equipment	-	21,143
	$ -	$ 7,869

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

During the year ended December 31, 2000, the Company disposed of the office furniture and equipment and wrote off the coin moulds.

4. Mining capital assets held for resale:

	2000	1999
Mining capital assets on the La Forma property	$ 215,000	$ 483,600

5. Deferred exploration and development expenditures:

Balance, beginning of year	$ 80,000	$ 7,041,753
Incurred during the year:		
Consulting fees	9,250	11,259
Write-off deferred costs	(9,250)	(6,973,012)
Balance, end of year	$ 80,000	$ 80,000

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

The Company owns a 100% interest in the La Forma property. 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 $80,000.

The three remaining properties have been written-off in prior years due to a lack of current and foreseeable activity.

6. Loans payable:

	2000	1999
Loans payable, without interest or fixed terms of repayment		
Loan #1	$ 825,000	$ 825,000
Loan #2	40,924	-
Loan payable, with interest at 18% per annum, compounded monthly, with no fixed terms of repayment	120,100	120,100
Loans payable to directors	4,500	4,500
	$ 990,524	$ 949,600

7. Gold-Based Investment Contracts:

	2000	1999
Gold purchase contracts (GPC)	$ -	$ 262,500
Gold-based investment contract units (GBIC)	-	737,500
	$ -	$ 1,000,000

7. Gold-Based Investment Contracts:

During the year ended December 31, 2000, 60 GPC's were converted to 15,000 common shares at a conversion value of $262,500.

During the year ended December 31, 2000, 640 GBIC's were converted to 15,500 common shares at a conversion value of $737,500.

8. Share capital:

Authorized: 100,000,000 Common shares without par value
5,000,000 Preferred shares without par value

Issued:

	Number of shares	Amount
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
Shares issued during 2000:		
Conversion of gold-based investment contract	15,500	737,500
Conversion of gold purchase contract	15,000	262,500
Balance, December 31, 2000	2,397,216	$ 15,425,998

(a) Preferred shares:

During the year ended December 31, 2000, the Company created a class of 5,000,000 preferred shares without par value. The preferred shares will be issuable in series, with each series to have such rights and restrictions as may be determined by the Board of Directors. The issuance of preferred shares of any series would be subject to regulatory approval.

(b) Share purchase warrants:

The following share purchase warrants were outstanding as at December 31, 2000:

Number of Shares	Price	Expiry Date
33,334	$ 0.15 to $0.20	January 7, 2001

8. Share capital (continued):

(c) Stock options:

The Company's stock option plan required the Board of Directors to get approval from disinterest shareholders at the shareholders meeting in order to grant stock options. The options have a maximum term of five years. The Company has 48,750 options that remain outstanding and exercisable at prices ranging from $3.00 to $6.00 per share. The options expire at varying dates from October 2002 to November 2002.

Issued:

	Number of options	Weighted average exercise price
Balance, December 31, 1998	93,000	$5.02
Cancelled during the year ended December 31, 1999	(44,250)	$4.87
Balance, December 31, 2000	48,750	$5.16

Information related to the share options outstanding at December 31, 2000 is presented below:

	Options Outstanding		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price (Cdn. $'s)
Issued October 1997	35,000	1.8 years	$6.00
Issued November 1997	13,750	1.9 years	$3.00
	48,750	1.8 years	$5.16

All of the above stock options outstanding are issued to directors or officers of the Company.

9. Income taxes:

The Company's provision for income tax differs from the amounts computed by applying the federal and provincial statutory rates of 44.6% for the following reasons:

	2000	1999
Computed tax provision	$ (168,452)	$ (3,831,057)
Increase in valuation allowance	72,620	3,830,245
Adjustment for expiration of non-capital loss carryforwards	-	4,896
		-
Adjustment for decrease in effective tax rate for capital loss carryforwards	89,852	-
Other	5,980	(4,084)
	$ -	$ -

Significant components of the Company's future tax assets are as follows:

	2000	1999
Non-capital loss carryforwards	$ 249,869	$ 248,282
Capital loss carryforwards	179,705	269,557
Unclaimed exploration and development expenses	5,696,081	5,538,464
		-
Capital assets – differences between net book value and undepreciated capital cost	164,584	161,316
	6,290,239	6,217,619
Valuation allowance	(6,290,239)	(6,217,619)
	$ -	$ -

In assessing the realizability of future taxes assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future taxes liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax considered realizable could change materially in the near term based on future taxable income during the carryforward period. A valuation allowance has been provided against all net future tax assets as realization of such net assets is uncertain.

9. Income taxes (continued):

The Company has losses for tax purposes of approximately $60,000 which are available to offset future years' taxable income, expiring between 2001 and 2007.

The Company has unclaimed exploration and development expenditures of approximately $13,060.000 which can be deducted for income tax purposes in future years at the Company's discretion.

The Company also has capital loss carryforwards of approximately $817,000 which are available to offset capital gains in the future.

10. Directors' remuneration and related party transactions:

Transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following fees were paid or accrued to related parties of the Company:

	Year ended December 31 2000	1999
Management fees to a company controlled by a former director	$ 11,480	$ 71,200

11. 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 loans payable is not practical to determine as there are no fixed repayment terms.

12. Comparative figures:

Certain of the prior years figures have been reclassified to conform with the financial presentation adopted in 2000.

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

Supplementary cash flow information:

	2000	1999
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

During the year ended December 31, 2000, the Company issued 15,500 common shares as part of the conversion of 640 Gold Based Investments contracts at a conversion value of $737,500.

Also, during the year ended December 31, 2000, the Company issued 15,000 common shares as part of the conversion of 60 Gold Purchase Contracts at a conversion value of $262,500.