

**Tan Range Exploration Corporation**

Consolidated Financial Statements  
**August 31, 1999 and 1998**

## **Management's Responsibility for Financial Reporting**

The accompanying financial statements of Tan Range Exploration Corporation have been prepared by and are the responsibility of the company's management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management's best judgement. Internal control systems are maintained by management to provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Audit Committee of the Board of Directors is composed primarily of non-management directors. It meets annually with the company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

The company's auditors, PricewaterhouseCoopers LLP, have examined these consolidated financial statements and their report follows.

Vancouver, B.C.  
December 10, 1999

Marek J. Krezcmer  
President and CEO

Frank R. Hallam  
Chief Financial Officer

December 10, 1999

## **Auditors' Report**

### **To the Shareholders of Tan Range Exploration Corporation**

We have audited the consolidated balance sheets of **Tan Range Exploration Corporation** as at August 31, 1999 and 1998 and the consolidated statements of operations and deficit, mineral properties and deferred exploration and development costs 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 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 British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

**PRICEWATERHOUSECOOPERS LLP**

**Chartered Accountants**

# Tan Range Exploration Corporation

Consolidated Balance Sheets

As at August 31, 1999 and 1998

|   | 1999<br>\$          | 1998<br>\$         |
|---|---------------------|--------------------|
| <b>Assets</b>   |                     |                    |
| <b>Current assets</b>   |                     |                    |
| Cash and short-term deposits  | 314,201             | 1,343,179          |
| Accounts and other receivables (note 8)   | 186,234             | 88,288             |
| Prepaid expenses  | 11,418              | 38,476             |
|   | <u>511,853</u>      | <u>1,469,943</u>   |
| <b>Mineral properties and deferred exploration and development costs</b> (note 4) | 8,108,140           | 9,141,076          |
| <b>Capital assets</b> (note 5)  | <u>119,945</u>      | <u>159,255</u>     |
|   | <u>8,739,938</u>    | <u>10,770,274</u>  |
| <b>Liabilities</b>  |                     |                    |
| <b>Current liabilities</b>  |                     |                    |
| Accounts payable and accrued liabilities  | 279,995             | 69,593             |
| Due to related parties (note 6)   | 23,667              | 14,666             |
|   | <u>303,662</u>      | <u>84,259</u>      |
| <b>Shareholders' Equity</b>   |                     |                    |
| <b>Share capital</b> (notes 4(c) and 7)   | 19,104,136          | 19,017,288         |
| <b>Deficit</b>  | <u>(10,667,860)</u> | <u>(8,331,273)</u> |
|   | <u>8,436,276</u>    | <u>10,686,015</u>  |
|   | <u>8,739,938</u>    | <u>10,770,274</u>  |
| <b>Nature of operations</b> (note 1)  |                     |                    |

Approved by the Board of Directors

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"Marek J. Krezcmer" Director

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"Frank R. Hallam" Director

# Tan Range Exploration Corporation

Consolidated Statements of Operations and Deficit  
For the years ended August 31, 1999 and 1998

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|   | 1999<br>\$       | 1998<br>\$      |
|---|------------------|-----------------|
| <b>Expenses</b>   |                  |                 |
| Annual general meeting  | 11,631           | 6,728           |
| Consulting and management fees  | 65,248           | 94,702          |
| Depreciation  | 37,807           | 40,063          |
| Insurance   | 22,429           | 26,032          |
| Memberships, courses and publications   | 12,048           | -               |
| New property investigation costs  | 133,816          | 208,605         |
| Office and administration   | 31,323           | 51,595          |
| Office rentals  | 50,574           | 33,253          |
| Other and miscellaneous   | -                | 8,524           |
| Press releases  | 22,290           | 36,247          |
| Printing and mailout  | 20,603           | 166,231         |
| Professional fees   | 40,073           | 57,283          |
| Promotions and shareholder relations  | 33,869           | 166,531         |
| Salaries and benefits   | 297,598          | 304,944         |
| Telephone and fax   | 24,724           | 44,011          |
| Transfer agent and listing  | 18,973           | 16,491          |
| Travel and accommodation  | 29,077           | 65,723          |
|   | <hr/> 852,083    | <hr/> 1,326,963 |
| Less: Expense recoveries  | -                | 56,665          |
|   | <hr/> 852,083    | <hr/> 1,270,298 |
| <b>Other expenses (income)</b>  |                  |                 |
| Foreign exchange  | 6,580            | (74,357)        |
| Interest - net of expense   | (27,801)         | (54,862)        |
| Gain on sale of capital assets  | (12,234)         | (50,079)        |
| Write-off of mineral properties and deferred exploration and development costs (note 4) | 1,517,959        | 131,232         |
|   | <hr/> 1,484,504  | <hr/> (48,066)  |
| <b>Loss for the year</b>  | 2,336,587        | 1,222,232       |
| <b>Deficit - Beginning of year</b>  | <hr/> 8,331,273  | <hr/> 7,109,041 |
| <b>Deficit - End of year</b>  | <hr/> 10,667,860 | <hr/> 8,331,273 |

# Tan Range Exploration Corporation

Consolidated Statements of Mineral Properties and Deferred Exploration and Development Costs  
For the years ended August 31, 1999 and 1998

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|  | 1999<br>\$        | 1998<br>\$      |
|--|-------------------|-----------------|
| <b>Mineral properties and deferred exploration and development costs</b>                             |                   |                 |
| Camp, field supplies and travel  | 126,913           | 227,107         |
| Exploration and field overhead   | 88,434            | 183,702         |
| Geological consulting and field wages  | 404,951           | 599,390         |
| Geophysical and geochemical  | 93,677            | 223,553         |
| Parts and equipment  | 35,148            | 48,880          |
| Property acquisition costs   | 11,333            | 13,247          |
| Trenching and drilling   | 170,484           | 548,390         |
| Recoveries   | (445,917)         | -               |
|  | <hr/> 485,023     | 1,844,269       |
| <b>Total mineral properties and deferred exploration and development costs - Beginning of year</b>   | 9,141,076         | 7,428,039       |
| <b>Mineral properties and deferred exploration and development costs written off during the year</b> | <hr/> (1,517,959) | (131,232)       |
| <b>Total mineral properties and deferred exploration and development costs - End of year</b>         | <hr/> 8,108,140   | <hr/> 9,141,076 |

# Tan Range Exploration Corporation

## Consolidated Statements of Cash Flows

For the years ended August 31, 1999 and 1998

|   | 1999<br>\$       | 1998<br>\$         |
|---|------------------|--------------------|
| <b>Cash flows from operating activities</b>   |                  |                    |
| Loss for the year   | (2,336,587)      | (1,222,232)        |
| Items not affecting cash  |                  |                    |
| Depreciation  | 37,807           | 40,063             |
| Write-off of mineral properties and deferred exploration and development costs        | 1,517,959        | 131,232            |
| Gain on sale of capital assets  | (12,234)         | (50,079)           |
|   | <u>(793,055)</u> | <u>(1,101,016)</u> |
| Net change in non-cash working capital items (note 3)                                 | 160,114          | (170,676)          |
|   | <u>(632,941)</u> | <u>(1,271,692)</u> |
| <b>Cash flows from investing activities</b>   |                  |                    |
| Mineral properties and deferred exploration and development costs - net of recoveries | (485,023)        | (1,844,269)        |
| Capital asset disposals - net of additions of \$23,234 (1998 - \$2,919)               | 13,737           | 79,617             |
|   | <u>(471,286)</u> | <u>(1,764,652)</u> |
| <b>Cash flows from financing activities</b>   |                  |                    |
| Share capital issued - net of issuance costs (notes 3 and 7(b))                       | 66,248           | 1,768,573          |
| Due to related parties  | 9,001            | 14,666             |
|   | <u>75,249</u>    | <u>1,783,239</u>   |
| <b>Decrease in cash</b>   | (1,028,978)      | (1,253,105)        |
| <b>Cash and short-term deposits - Beginning of year</b>                               | 1,343,179        | 2,596,284          |
| <b>Cash and short-term deposits - End of year</b>                                     | <u>314,201</u>   | <u>1,343,179</u>   |
| <b>Cash and short-term deposits consist of:</b>                                       |                  |                    |
| Cash on deposit with banks  | 314,201          | 894,879            |
| Short-term investments  | -                | 448,300            |
|   | <u>314,201</u>   | <u>1,343,179</u>   |

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 1999 and 1998

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## 1 Nature of operations

As at August 31, 1999, the company had insufficient working capital to meet its ongoing operating commitments. Subsequent to year end, the company secured additional financing, including a joint venture agreement that will provide the company with up to \$3,000,000 within 12 months of signing (see note 4(c)).

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The continued operations of the company and the recoverability of the amounts shown for mineral properties and related deferred costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as deferred expenditures and property acquisition costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

## 2 Significant accounting policies

### Principles of consolidation

These consolidated financial statements include the accounts of Tan Range Exploration Corporation and its subsidiaries:

|   | <b>Percentage<br/>ownership</b> |
|---|---------------------------------|
| Dia Consult Limited (a Tanzanian company)                       | 100%                            |
| Itetemia Mining Company (a Tanzanian holding company)           | 90%                             |
| Kabahelele Mining Company Limited (a Tanzanian holding company) | 80%                             |
| Tancan Mining Company Limited (a Tanzanian company)             | 100%                            |
| Zanj Holdings Ltd. (a Canadian company) - inactive              | 100%                            |

### Translation of foreign currencies

The company's subsidiaries are considered integrated foreign subsidiaries and their accounts are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the prevailing year-end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the average rate of exchange for the year. Translation gains and losses are included in the statement of operations and deficit.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 1999 and 1998

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## Capital assets

Capital assets are recorded at cost and depreciation is provided for on a declining balance basis using the following rates:

|                         |            |
|-------------------------|------------|
| Machinery and equipment | 20% to 30% |
| Leasehold improvements  | 20%        |
| Computer equipment      | 30%        |
| Automotive              | 30%        |

## Mineral properties and deferred exploration and development costs

Acquisition costs and exploration and development costs relating to mineral properties are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis, or until the properties are abandoned or sold or management determines that the mineral property is not economically viable, at which time the deferred costs are written off.

Amounts recovered from third parties to earn an interest in the company's mineral properties are applied as a reduction of the deferred exploration and development costs.

Overhead costs attributable to exploration and development are allocated to the mineral properties explored during the year and are deferred and amortized using the same method applied to property-specific exploration and development costs. All other overhead and administration costs are expensed in the year they are incurred.

## Option payments

Options are exercisable at the discretion of the company and, accordingly, are only recognized as paid.

## Loss per share

Loss per share has not been disclosed as this information is not considered meaningful at this stage of the company's development.

## Financial instruments

The company's financial assets and liabilities consist of non-interest bearing accounts receivable, accounts payable and accrued liabilities, and cash and short-term deposits held with Canadian chartered banks. The fair value of the company's financial assets and liabilities is estimated to equal their carrying value.

## Cash and short-term deposits

Cash and short-term deposits consist of cash on deposit with banks or highly liquid short-term interest-bearing securities with maturities at purchase dates of three months or less.

# Tan Range Exploration Corporation

## Notes to Consolidated Financial Statements

August 31, 1999 and 1998

### 3 Non-cash financing activities

During the year ended August 31, 1999, 45,778 common shares in the amount of \$20,600 issued to settle certain outstanding accounts payable have been excluded from the statement of cash flows.

Interest income received during the year, net of interest expense, was \$27,000.

### 4 Mineral properties and deferred exploration and development costs

The company acquires gold or other precious metal concessions through its own efforts or through the efforts of its subsidiaries. The majority of the company's concessions are located in Tanzania.

For each concession granted in Tanzania under a prospecting licence, the company is required to carry out a minimum amount of exploration work before a mining licence can be granted for further development. Prospecting licences are granted for a two-year term and may be renewed for a second two-year term followed by a third one-year term.

All mining licences are granted subject to an annual rental fee of not more than U.S. \$20 per square kilometre payable to the government of Tanzania. In addition, the government of Tanzania imposes a royalty on the gross value of all production at the rate of 3% of all gold produced and 2% of all diamonds produced.

|            | 1998                      |                                      |                                   | 1999                      |                                      |                                   |                           |
|------------|---------------------------|--------------------------------------|-----------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------------|
|            | Total costs to 1997<br>\$ | Costs incurred during the year<br>\$ | Written off during the year<br>\$ | Total costs to 1998<br>\$ | Costs incurred during the year<br>\$ | Written off during the year<br>\$ | Total costs to 1999<br>\$ |
| Tanzania - |                           |                                      |                                   |                           |                                      |                                   |                           |
| Bukwimba   | 40,360                    | 1,106                                | -                                 | 41,466                    | 146                                  | -                                 | 41,612                    |
| Geita East | 553,952                   | 58,797                               | -                                 | 612,749                   | 8,242                                | -                                 | 620,991                   |
| Imweru     | 117,969                   | 13,263                               | (131,232)                         | -                         | -                                    | -                                 | -                         |
| Itetemia   | 2,575,851                 | 903,849                              | -                                 | 3,479,700                 | 249,806                              | -                                 | 3,729,506                 |
| Kabahеле   | 1,333,091                 | 4,196                                | -                                 | 1,337,287                 | 96,834                               | -                                 | 1,434,121                 |
| Luhala     | 670,068                   | 116,088                              | -                                 | 786,156                   | 29,898                               | -                                 | 816,054                   |
| Mnekezi    | 143,957                   | 47,395                               | -                                 | 191,352                   | 13,052                               | -                                 | 204,404                   |
| Mwingilo   | -                         | 1,366                                | -                                 | 1,366                     | 1,667                                | -                                 | 3,033                     |
| Ngula      | 592,876                   | 2,039                                | -                                 | 594,915                   | 849                                  | -                                 | 595,764                   |
| Mulehe     | -                         | -                                    | -                                 | -                         | 6,358                                | -                                 | 6,358                     |
| Ethiopia   | 803,953                   | 613,541                              | -                                 | 1,417,494                 | 78,171                               | (1,495,665)                       | -                         |
| Eritrea    | 5,904                     | 8,517                                | -                                 | 14,421                    | -                                    | (14,421)                          | -                         |
| Zambia     | 583,897                   | 72,400                               | -                                 | 656,297                   | -                                    | -                                 | 656,297                   |
| Other      | 6,161                     | 1,712                                | -                                 | 7,873                     | -                                    | (7,873)                           | -                         |
|            | 7,428,039                 | 1,844,269                            | (131,232)                         | 9,141,076                 | 485,023                              | (1,517,959)                       | 8,108,140                 |

# Tan Range Exploration Corporation

## Notes to Consolidated Financial Statements

August 31, 1999 and 1998

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**a) Geita East**

Pursuant to an agreement dated June 9, 1997 with M-B Mining Tanzania Limited, which replaced a prior agreement dated February 26, 1996, the company has an undivided 90% interest in, and is manager of, the Geita East concession. M-B Mining Tanzania Limited has a 10% free carried interest that the company may elect to purchase at fair market value within 60 days after a production decision has been made. The company is required to fund all costs of the project.

In January 1999, Ashanti Goldfields Company Limited (Ashanti) entered into an agreement with the company whereby Ashanti was granted the exclusive option to acquire an undivided 60% interest (two-thirds of the company's 90% interest) in the Geita East concession. To earn its interest, Ashanti must complete a bankable feasibility study on the project before December 31, 2001, after which Ashanti must make a production decision within 60 days or make escalating annual payments to the company commencing at U.S. \$100,000 and increasing by U.S. \$100,000 per year to a maximum of U.S. \$500,000 annually.

During the year ended August 31, 1999, the company recovered costs of \$98,625 on this property.

**b) Itetemia**

By an agreement with the State Mining Corporation of Tanzania (Stamico) dated July 18, 1994, the company acquired a 90% interest in the Itetemia gold concession in exchange for U.S. \$57,400 in option payments over seven years and a requirement to spend at least U.S. \$300,000. Those requirements have been met.

Stamico retains a 2% royalty interest as well as a right to earn back an additional 20% interest in the property by meeting 20% of the costs required to place the property into production. The company retains the right to purchase one-half of Stamico's 2% royalty interest in exchange for U.S. \$1,000,000.

See also note 4(c).

**c) Itetemia North, Itetemia Village, Mwingilo and Ngula**

The Itetemia North concession was acquired in exchange for U.S. \$35,000 and a 3% net smelter royalty. The Itetemia Village, Mwingilo and Ngula concessions were acquired by staking, and minimum work requirements have been completed.

All of these concessions are contiguous with the company's Itetemia concession (see note 4(b)). The resulting group of five concessions is collectively referred to as the Itetemia Project by the company.

On April 24, 1999, an option agreement dated February 12, 1998 between the company and Minorca Resources Inc. (Minorca) expired. Under the terms of the agreement, Minorca had been granted the right, in exchange for certain cash payment and performance requirements, to earn up to 50% of the company's Itetemia Project. Pursuant to the agreement, Minorca completed a private placement during 1998 for 1,176,471 units of common shares and common share purchase warrants of the company for an aggregate subscription price of \$1,000,000 (see note 7(b)).

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 1999 and 1998

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In June 1999, Barrick Gold Corporation (Barrick) entered into an agreement with the company granting Barrick the exclusive option, exercisable within four years of the signing of a formal agreement (the closing date), to earn an undivided 60% interest in the Itetemia Project. In exchange for this option, Barrick must make three placements within 12 months of the closing date of \$1,000,000 each for shares of the company at prices of \$0.70, \$0.85 and \$1.00 respectively. In addition, Barrick will be granted a warrant to purchase 740,741 additional shares at a price of \$1.35 within 18 months of the closing date. Barrick will have the right to maintain its interest in the company from time to time by way of additional private placements. The company has agreed that 80% of all proceeds from the above placements will be expended upon the exploration and development of the Itetemia Project.

To exercise its option, Barrick must make a positive production decision with respect to the Itetemia Project which contemplates a rate of production of not less than 100,000 ounces per annum. In addition, Barrick must finance the entire project, with the company to repay its portion of the costs from its share of the net proceeds of production. Once a production decision is taken by Barrick, if the property is not in production on a stand-alone basis within 18 months, or within 12 months on a custom-milling basis, Barrick must make penalty payments to the company as follows:

|                                | U.S. \$   |
|--------------------------------|-----------|
| Year one                       | 500,000   |
| Year two                       | 750,000   |
| Year three                     | 1,000,000 |
| Year four and subsequent years | 1,200,000 |

Payments due after year five will be adjusted for inflation based on the Canadian Consumer Price Index.

In addition to the above, upon exercise of its option, Barrick will assume the company's right to purchase Stamico's 10% interest in the Itetemia concession. Should this occur, Barrick has agreed to pay the company's portion of all production royalties payable from the Itetemia concession to the Tanzanian government.

On November 15, 1999, Barrick and the company executed a formal agreement containing the terms and conditions as outlined above.

## d) **Kabahelele, Luhala, Mnekezi and Mulehe**

During 1993, the company acquired an 80% interest in the Kabahelele gold concession. Minimum work requirements of U.S. \$300,000 have been completed.

The company was granted the Luhala gold concession on July 2, 1992. To maintain this concession, the company was required to conduct exploration work of at least U.S. \$250,000 before October 25, 1997. This work commitment was met during the year ended August 31, 1997.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 1999 and 1998

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The company acquired 100% interests in the Mnekezi and Mulehe concessions by way of staking in 1994. Effective April 25, 1999, Newmont Overseas Exploration Limited (Newmont) entered into a formal agreement with the company granting Newmont the right to earn up to 70% of the company's interests in the Kabahеле, Luhala, Mnekezi and Mulehe concessions. For each property, Newmont may earn an initial 60% interest by the expenditure of U.S. \$1,500,000 for exploration within three years of the effective date of the formal agreement. Should Newmont spend at least U.S. \$4,500,000 within three years to earn its initial interest in three of the properties, then Newmont will have an additional one year within which to earn its initial interest in the fourth property.

After the acquisition of its initial interest in any property, Newmont may earn an additional 10% of the company's interest in that property upon the completion of a bankable feasibility study within three years. During this period, Newmont is responsible for maintaining the properties in good standing and must spend a minimum of U.S. \$200,000 per year.

Upon the execution of the formal agreement, Newmont was required to pay an initial option payment of U.S. \$50,000. Additional monthly option payments of U.S. \$8,333, U.S. \$12,500 and U.S. \$20,833 are payable by Newmont to the company commencing in years two, three and four after the effective date of the agreement.

Under the terms of the agreement, should Newmont acquire an additional equity position, as described above, in any one of the properties under option, Newmont will earn a one-time right to purchase up to that number of common shares of the company equivalent to 10% of the issued and outstanding shares of the company, for 90% of their market price, as of the date Newmont gives notice to exercise this right.

During the year ended August 31, 1999, the company recovered costs of \$72,451 on the Kabahеле property and \$274,841 on the Mnekezi property.

## e) Ethiopia and Eritrea

In February 1996, the government of Ethiopia granted the company licences for the Hager Mariam, Blue Nile and Tulu Kapi properties. Since that time, the company incurred \$1,495,665 in costs related to the exploration and development of these properties. Despite favourable geological findings, during the year the company decided to abandon these projects. Recent hostilities between Ethiopia and Eritrea combined with poor market conditions render these projects impractical at this time. The company has written off all costs associated with these projects.

## f) Zambia

In October 1994, the company was granted two-year term renewable prospecting licences for the Chetina, Msidza and Senga Hills properties. All three prospecting licences were renewed for an additional two-year term in May 1997. To maintain these licences, the company must actively explore and develop the properties and pay annual licence fees.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 1999 and 1998

## 5 Capital assets

|                         | 1999           |                                   |                | 1998           |                                   |                |
|-------------------------|----------------|-----------------------------------|----------------|----------------|-----------------------------------|----------------|
|                         | Cost<br>\$     | Accumulated<br>depreciation<br>\$ | Net<br>\$      | Cost<br>\$     | Accumulated<br>depreciation<br>\$ | Net<br>\$      |
| Machinery and equipment | 230,591        | 156,775                           | 73,816         | 209,076        | 136,347                           | 72,729         |
| Automotive              | 147,144        | 118,273                           | 28,871         | 196,250        | 132,616                           | 63,634         |
| Computer equipment      | 43,728         | 29,937                            | 13,791         | 47,243         | 29,303                            | 17,940         |
| Leasehold improvements  | 17,279         | 13,812                            | 3,467          | 17,279         | 12,327                            | 4,952          |
|                         | <u>438,742</u> | <u>318,797</u>                    | <u>119,945</u> | <u>469,848</u> | <u>310,593</u>                    | <u>159,255</u> |

## 6 Due to related parties

The amounts due to related parties are without interest, unsecured, and payable in shares, as follows:

|   | 1999<br>\$    | 1998<br>\$    |
|---|---------------|---------------|
| Due to directors, shareholders and employees for services | <u>23,667</u> | <u>14,666</u> |

## 7 Share capital

### a) Authorized

An unlimited number of common voting shares

### b) Issued common shares

|                              | Number of<br>shares | Amount<br>\$      |
|------------------------------|---------------------|-------------------|
| Balance - August 31, 1997    | 34,226,082          | 17,248,715        |
| Stock options exercised      | 611,200             | 443,400           |
| Private placements           | 1,576,471           | 1,300,000         |
| Less: finder's fees          | -                   | (12,000)          |
| Issued for director services | <u>37,333</u>       | <u>37,173</u>     |
| Balance - August 31, 1998    | 36,451,086          | 19,017,288        |
| Stock options exercised      | 105,000             | 34,350            |
| Shares for debt              | 45,778              | 20,600            |
| Issued for director services | <u>80,065</u>       | <u>31,898</u>     |
| Balance - August 31, 1999    | <u>36,681,929</u>   | <u>19,104,136</u> |

# Tan Range Exploration Corporation

## Notes to Consolidated Financial Statements

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On April 14, 1998, the company completed a private placement for the issuance of 400,000 common shares at a price of \$0.75 per share. Attached to these shares were non-transferable share purchase warrants for a further 400,000 common shares exercisable at a price of \$0.85 until April 14, 1999. On February 25, 1999, the company extended the expiry date of these warrants until April 14, 2000. None were exercised during the year. A commission of \$12,000 was paid in association with this placement.

Pursuant to an option agreement dated February 12, 1998 (see note 4(c)), on April 24, 1998 Minorca purchased from the company by way of a private placement 1,176,471 units, each unit comprising one common share and one common share purchase warrant, for an aggregate subscription price of \$1,000,000. The share purchase warrants are exercisable at a price of \$1.00 until April 24, 1999 and at a price of \$1.50 until April 24, 2000. None were exercised during the year.

- c) At August 31, 1999, the following director and employee stock options were outstanding:

| Number of<br>common shares | Exercise<br>price<br>\$ | Expiry date        |
|----------------------------|-------------------------|--------------------|
| 144,500                    | 0.45                    | September 28, 1999 |
| 175,000                    | 0.40                    | January 31, 2001   |
| 670,000                    | 0.40                    | November 13, 2001  |
| 100,000                    | 0.93                    | February 10, 2002  |
| 700,000                    | 0.82                    | February 10, 2002  |
| 100,000                    | 0.91                    | July 20, 2002      |
| 370,000                    | 0.92                    | January 14, 2003   |
| 1,110,000                  | 0.50                    | March 1, 2004      |
| 40,000                     | 0.40                    | July 2, 2004       |

- d) At August 31, 1999, 1,576,471 common share purchase warrants remained outstanding. Of these, 400,000 are exercisable at a price of \$0.81 until April 14, 2000 and 1,176,471 are exercisable at a price of \$1.50 until April 24, 2000.

## 8 Related party transactions

During the year ended August 31, 1999, \$161,228 (1998 - \$211,584) was paid or payable by the company to two (1998 - two) directors for consulting fees.

Accounts receivable include advances to related parties of \$56,259 (1998 - \$41,617), which consist of funds advanced for exploration and corporate activities conducted in the normal course of business. Also included in accounts receivable is an amount of \$66,210 (1998 - \$25,298) due in the normal course of business from two tenant companies sharing administration costs with the company and related by way of common directors and officers.

# Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

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During 1998, the company sold several undeveloped mineral concessions to a company associated by way of a common director. The terms included an initial cash payment to the company of U.S. \$40,000 as well as future consideration to be paid in the event of proven reserves being established on any of the properties.

Other related party transactions are disclosed elsewhere in these consolidated financial statements.

## 9 Income taxes

The company has estimated loss carryforwards and certain resource-related deductions in Canada aggregating \$12,300,000 (1998 - \$10,970,000), which are available to be offset against future taxable income. The benefits of these losses and deductions are not reflected in these financial statements as there is no certainty that they will be realized.

## 10 Uncertainty due to the Year 2000 Issue

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. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.