

Tan Range Exploration Corporation

Consolidated Financial Statements
August 31, 2000 and 1999

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.
November 30, 2000

Marek J. Kreczmer
President and CEO

Frank R. Hallam
Chief Financial Officer

November 30, 2000

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, 2000 and 1999 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, 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.

“PricewaterhouseCoopers LLP”

Chartered Accountants

Tan Range Exploration Corporation

Consolidated Balance Sheets

As at August 31, 2000 and 1999

	2000 \$	1999 \$
Assets		
Current assets		
Cash and cash equivalents	1,444,730	314,201
Accounts and other receivables (note 8)	72,695	186,234
Prepaid expenses	19,872	11,418
	<hr/>	<hr/>
	1,537,297	511,853
Restricted cash (note 4(c))	540,000	-
Mineral properties and deferred exploration and development costs (note 4)	6,853,957	8,108,140
Capital assets (note 5)	104,627	119,945
	<hr/>	<hr/>
	9,035,881	8,739,938
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	490,839	279,995
Due to related parties (note 6)	17,900	23,667
	<hr/>	<hr/>
	508,739	303,662
	<hr/>	<hr/>
Shareholders' Equity		
Share capital (notes 4(c) and 7)	22,606,604	19,104,136
Deficit	(14,079,462)	(10,667,860)
	<hr/>	<hr/>
	8,527,142	8,436,276
	<hr/>	<hr/>
	9,035,881	8,739,938
	<hr/>	<hr/>
Nature of operations (note 1)		

Approved by the Board of Directors

Marek J. Kreczmer Director

Frank R. Hallam Director

Tan Range Exploration Corporation

Consolidated Statements of Operations and Deficit
For the years ended August 31, 2000 and 1999

	2000 \$	1999 \$
Expenses		
Amortization	30,604	37,807
Annual general meeting	21,074	11,631
Consulting and management fees	42,786	65,248
Insurance	24,971	22,429
Memberships, courses and publications	10,431	12,048
New property investigation costs	-	133,816
Office and administration	47,554	31,323
Office rentals	48,143	50,574
Press releases	20,207	22,290
Printing and mailout	4,188	20,603
Professional fees	54,114	40,073
Promotions and shareholder relations	29,973	33,869
Salaries and benefits	336,288	297,598
Telephone and fax	21,284	24,724
Transfer agent and listing	32,665	18,973
Travel and accommodation	33,879	29,077
	<hr/>	<hr/>
	758,161	852,083
Less: Expense recoveries	68,617	-
	<hr/>	<hr/>
	689,544	852,083
Other expenses (income)		
Foreign exchange	23,944	6,580
Interest - net of expense	(53,731)	(27,801)
Gain on sale of capital assets	(587)	(12,234)
Write-off of mineral properties and deferred exploration and development costs (note 4)	2,752,432	1,517,959
	<hr/>	<hr/>
	2,722,058	1,484,504
Loss for the year	3,411,602	2,336,587
Deficit - Beginning of year	10,667,860	8,331,273
	<hr/>	<hr/>
Deficit - End of year	14,079,462	10,667,860
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Tan Range Exploration Corporation

Consolidated Statements of Mineral Properties and Deferred Exploration and Development Costs
For the years ended August 31, 2000 and 1999

	2000 \$	1999 \$
Mineral properties and deferred exploration and development costs		
Camp, field supplies and travel	217,403	126,913
Exploration and field overhead	83,211	88,434
Geological consulting and field wages	542,172	404,951
Geophysical and geochemical	436,999	93,677
Parts and equipment	70,575	35,148
Property acquisition costs	16,859	11,333
Trenching and drilling	930,058	170,484
Recoveries	(799,028)	(445,917)
	<hr/> 1,498,249	485,023
Total mineral properties and deferred exploration and development costs - Beginning of year	8,108,140	9,141,076
Mineral properties and deferred exploration and development costs written off during the year	<hr/> (2,752,432)	(1,517,959)
Total mineral properties and deferred exploration and development costs - End of year	<hr/> 6,853,957	8,108,140

Tan Range Exploration Corporation

Consolidated Statements of Cash Flows

For the years ended August 31, 2000 and 1999

	2000 \$	1999 \$
Cash flows from operating activities		
Loss for the year	(3,411,602)	(2,336,587)
Items not affecting cash		
Amortization	30,604	37,807
Write-off of mineral properties and deferred exploration and development costs	2,752,432	1,517,959
Gain on sale of capital assets	(587)	(12,234)
	<u>(629,153)</u>	<u>(793,055)</u>
Net change in non-cash working capital items (note 3)	338,429	160,114
	<u>(290,724)</u>	<u>(632,941)</u>
Cash flows from investing activities		
Mineral properties and deferred exploration and development costs - net of recoveries	(1,498,249)	(485,023)
Capital asset additions (disposals) - net	(14,699)	13,737
Restricted cash	(540,000)	-
	<u>(2,052,948)</u>	<u>(471,286)</u>
Cash flows from financing activities		
Share capital issued - net of issuance costs (notes 3 and 7(b))	3,479,968	66,248
Due to related parties	(5,767)	9,001
	<u>3,474,201</u>	<u>75,249</u>
Increase (decrease) in cash and cash equivalents	1,130,529	(1,028,978)
Cash and cash equivalents - Beginning of year	314,201	1,343,179
Cash and cash equivalents - End of year	<u>1,444,730</u>	<u>314,201</u>
Cash and cash equivalents consist of		
Cash on deposit with banks	684,991	314,201
Short-term investments	759,739	-
	<u>1,444,730</u>	<u>314,201</u>

Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 2000 and 1999

1 Nature of operations

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits 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 explore and develop, 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:

	Percentage ownership
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) - dissolved during the year	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.

Capital assets

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

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

Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 2000 and 1999

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.

Stock options

No expense is recognized when stock options are issued. Any consideration paid by option holders on exercise of stock options is credited to share capital.

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 cash equivalents held with large Canadian and U.S. financial institutions. The fair value of the company's financial assets and liabilities is estimated to approximate their carrying value.

Cash and cash equivalents

Cash and cash equivalents 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, and are subject to standard deposit insurance limits.

Tan Range Exploration Corporation

Notes to Consolidated Financial Statements

August 31, 2000 and 1999

3 Non-cash operating and financing activities

Interest income received during the year was \$60,113 (1999 - \$27,801).

During the year ended August 31, 2000, 50,000 (1999 - 45,778) common shares in the amount of \$22,500 (1999 - \$20,600) issued to settle certain outstanding accounts payable have been excluded from the statement of cash flows.

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.

	1999			2000			
	Total costs to 1998	Net costs incurred during the year	Written off during the year	Total costs to 1999	Net costs incurred (recovered) during the year	Written off during the year	Total costs to 2000
	\$	\$	\$	\$	\$	\$	\$
Tanzania -							
Bukwimba	41,466	146	-	41,612	1,147	-	42,759
Geita East	612,749	8,242	-	620,991	44,061	(665,052)	-
Itetemia	4,075,981	252,322	-	4,328,303	1,191,441	-	5,519,744
Kabahelele	1,337,287	96,834	-	1,434,121	(3,038)	(1,431,083)	-
Luhala	786,156	29,898	-	816,054	161,881	-	977,935
Mnekezi	191,352	13,052	-	204,404	107,052	-	311,456
Mulehe	-	6,358	-	6,358	(4,295)	-	2,063
Ethiopia	1,417,494	78,171	(1,495,665)	-	-	-	-
Eritrea	14,421	-	(14,421)	-	-	-	-
Zambia	656,297	-	-	656,297	-	(656,297)	-
Other	7,873	-	(7,873)	-	-	-	-
	9,141,076	485,023	(1,517,959)	8,108,140	1,498,249	(2,752,432)	6,853,957

The company has assessed the carrying value of mineral properties and deferred exploration and development costs as at August 31, 2000. Given increased uncertainty over the ability of the company to recover the costs deferred against Kabahelele, Geita East and Zambia, these properties were written off as at August 31, 2000. The company will retain title to these properties.

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August 31, 2000 and 1999

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. Subsequent to year end, Ashanti terminated its option.

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

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.

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.

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Notes to Consolidated Financial Statements

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On November 15, 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 was required to 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. All three placements were completed by Barrick prior to November 15, 2000 (note 7(b)). In addition, Barrick was 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. As at August 31, 2000, the company had \$540,000 committed to such expenditures, which is included in restricted cash.

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 (note 4(b)). 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.

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. The company acquired 100% interests in the Mnekezi and Mulehe concessions by way of staking in 1994.

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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 Kabahелеle, Luhala, Mnekezi and Mulehe concessions in exchange for certain option payments and exploration expenditures. During the year ended August 31, 2000, Newmont terminated its option and retains no rights or interests in any of the properties.

During the year ended August 31, 2000, the company recovered costs by way of option payments and exploration expense reimbursements from Newmont of \$168,575 (1999 - \$72,451) on the Kabahелеle property, \$363,369 (1999 - \$nil) on the Luhala property, \$231,538 (1999 - \$274,841) on the Mnekezi property and \$42,319 (1999 - \$nil) on the Mulehe property.

e) Ethiopia and Eritrea

In February 1996, the government of Ethiopia granted the company licences for the Hagera 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 ended December 31, 1999, the company decided to abandon these projects, and accordingly, 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 on July 13, 1999. To maintain these licences, the company must actively explore and develop the properties and pay annual licence fees.

5 Capital assets

	2000			1999		
	Cost \$	Accumulated amortization \$	Net \$	Cost \$	Accumulated amortization \$	Net \$
Machinery and equipment	234,185	175,093	59,092	230,591	156,775	73,816
Automotive	147,144	126,933	20,211	147,144	118,273	28,871
Computer equipment	62,646	39,749	22,897	43,728	29,937	13,791
Leasehold improvements	17,279	14,852	2,427	17,279	13,812	3,467
	<u>461,254</u>	<u>356,627</u>	<u>104,627</u>	<u>438,742</u>	<u>318,797</u>	<u>119,945</u>

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Notes to Consolidated Financial Statements

August 31, 2000 and 1999

6 Due to related parties

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

	2000	1999
	\$	\$
Due to directors, shareholders and employees for services	17,900	23,667

7 Share capital

a) Authorized

An unlimited number of common voting shares

b) Issued common shares

	Number of shares	Amount \$
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	80,065	31,898
Balance - August 31, 1999	36,681,929	19,104,136
Stock options exercised	690,000	274,225
Issued for cash	2,605,042	2,000,000
Issued for director services	50,000	22,500
Special warrants - net of issue costs	-	1,205,743
Balance - August 31, 2000	40,026,971	22,606,604

Under the terms of a property acquisition agreement dated November 15, 1999 (see note 4(c)), on November 30, 1999, Barrick purchased 1,428,571 shares at a price of \$0.70 each for total proceeds of \$1,000,000. On May 11, 2000, Barrick purchased a further 1,176,471 shares at a price of \$0.85 each for total proceeds of \$1,000,000. Subsequent to year end, on October 23, 2000, Barrick purchased a third placement of 1,000,000 shares at \$1.00 each for total proceeds of \$1,000,000.

On February 8, 2000, the company completed a private placement for the issuance of 400,000 special warrants at a price of \$0.41 per special warrant. These special warrants are exchangeable into one common share and one non-transferable share purchase warrant for a further 400,000 common shares exercisable at a price of \$0.45 until February 8, 2002.

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On March 31, 2000, the company completed a private placement for the issuance of 1,996,000 special warrants at a price of \$0.50 per special warrant. These special warrants are exchangeable into one common share and one non-transferable share purchase warrant for a further 1,996,000 common shares exercisable at a price of \$0.60 until March 31, 2001 and \$0.70 until March 31, 2002. A commission of \$104,300 was paid in association with this placement in the form of 96,000 special warrants and \$56,300 cash.

On May 9, 2000, the company completed a private placement for the issuance of 200,000 special warrants at a price of \$0.50 per special warrant. These special warrants are exchangeable into one common share and one non-transferable share purchase warrant for a further 200,000 common shares exercisable at a price of \$0.60 until May 9, 2001 and \$0.70 until May 9, 2002.

Subsequent to year end, on September 12, 2000, the 2,596,000 special warrants were exchanged for common shares and warrants of the company.

c) Stock options

Stock options are granted at the discretion of the board of directors and in accordance with the rules and regulations of the CDNX. Stock options vest immediately, once granted and approved, and cannot exceed 10% of issued and outstanding share capital. As at August 31, 2000, 3,562,000 stock options were outstanding.

Stock option activity in 2000 was as follows:

	Number of shares	Weighted average price \$
Outstanding - August 31, 1999	3,409,500	0.61
Granted	1,077,500	0.43
Exercised	(690,000)	0.40
Cancelled	(235,000)	0.42
	<hr/>	
Outstanding - August 31, 2000	3,562,000	0.61

Tan Range Exploration Corporation

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August 31, 2000 and 1999

At August 31, 2000, the following director and employee stock options were outstanding:

Number of common shares	Exercise price \$	Expiry date
50,000	0.50	January 26, 2001
99,500	0.40	January 31, 2001
20,000	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
1,095,000	0.50	March 1, 2004
175,000	0.40	November 4, 2004
155,500	0.35	December 8, 2004
463,000	0.45	January 4, 2005
174,000	0.45	January 7, 2005
50,000	0.50	January 19, 2005
10,000	0.55	March 2, 2005

On November 23, 2000, the company announced the issuance of 625,000 stock options to employees, directors and consultants, exercisable at \$0.40 for five years.

8 Related party transactions

During the year ended August 31, 2000, \$225,562 (1999 - \$161,228) was paid or payable by the company to two directors and one former director (1999 - two directors) for consulting fees.

Accounts receivable include advances to related parties of \$61,464 (1999 - \$56,259), 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 \$544 (1999 - \$66,210) 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.

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

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9 Income taxes

During the year ended August 31, 2000, the company adopted CICA - 3470 Corporate Income Taxes on a retroactive basis. Adoption of the new standard resulted in no adjustments to the company's financial statements.

The company has estimated loss carryforwards and certain resource-related deductions in Canada aggregating \$13,700,000 (1999 - \$12,300,000), 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, at this stage in the company's development, there is no certainty that they will be realized.

