



# MIRAMAR MINING CORPORATION

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NEWS RELEASE 02-04

MAE - TSE  
MAENF-OTC Bulletin Board

## ***Miramar Reports Results for the Year Ended December 31, 2001***

*- Positive Operational Performance Supports Balance Sheet Strength -*

**VANCOUVER** -- Miramar Mining Corporation today announced its financial results for the year ended December 31, 2001. Miramar continues to focus its efforts on developing its Northern gold platform, comprised of the Hope Bay project and Yellowknife operations, while maintaining a strong balance sheet to support these activities.

"During 2001, our Yellowknife operations delivered excellent results, producing approximately 130,000 ounces of gold at cash costs of US\$256 per ounce and have laid the groundwork for further improvements in 2002," said Tony Walsh, Miramar's President and CEO. "These results allowed us to generate positive cash flow from mining operations, during the last three quarters of 2001, despite the low gold price. Continuous efforts to maximize benefits from our operations in Yellowknife have resulted in us not only exceeding our targets for 2001 but also have allowed us to maintain our balance sheet strength which should enable us to support our ongoing activities to enhance shareholder value," he said.

### ***Financial Results***

Miramar's consolidated loss from operations was \$5,899,000 or \$0.10 per share for the year, compared to a loss of \$43,391,000 or \$0.76 per share in 2000. The loss in 2000 includes \$37,200,000 for write-downs related to the Company's investment in Northern Orion, mineral properties and other charges. The loss in 2000 before write-downs and other charges was \$6,214,000 or \$0.10 per share. The fourth quarter 2001 loss was \$1,434,000 (\$0.02 per share), compared to \$1,231,000 (\$0.02 per share) for the same quarter in 2000 (before items noted above). During the second quarter of 2001, Miramar ceased to account for its investment in Northern Orion Explorations Ltd. on a consolidation basis but continues to report its share of Northern Orion's losses on an equity basis.

During the period ending December 31, 2001, Miramar reported a cash flow from mining operations of \$5,420,000 versus \$2,751,000 for the same period in 2000. At December 31, 2001, the Company had consolidated working capital of \$16.1 million (September 30 - \$16.4 million).

### ***Gold Sales & Hedging***

In the fourth quarter, Miramar realized an average selling price of C\$452 per ounce of gold, which compares favourably to the average spot price of C\$442 for the quarter. Miramar also realized an average exchange rate of 1.583 Canadian on US dollar revenues, which also compares favourably to the average spot rate for the quarter of 1.578. Miramar's hedge position at December 31, 2001 was as follows:

	delivery/expiry	Average price Ounces	Anticipated per ounce
Gold forward sales contracts	5,000	US\$278	2002
Gold forward sales contracts	10,000	CAD\$443	2002
Gold call options sold	10,000	US\$285	2002
Gold call options sold	23,000	CAD\$448	2002
Gold call options sold	18,000	CAD\$450	2003

For information on operating results for the fourth quarter and the year 2001, please see news release MAE 02-01 dated January 21, 2002 on our website at <http://www.miramarmining.com/>.

### ***Amalgamation Progress***

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Miramar and joint venture partner, Hope Bay Gold Corporation Inc. (HGC-TSE) announced on February 18, 2002 that they had reached an agreement in principle to combine the two companies on the basis of 0.263 of a Miramar share per one Hope Bay Gold share. Completion of the transaction will be subject to, among other things, regulatory, shareholder and court approvals. Work is proceeding to satisfy the conditions of the agreement and complete the transaction which is expected to occur in May 2002. For further information regarding merger details, please see news release HBJV NR02-04 on our website at <http://www.miramarmining.com/>

### ***Financing Completed***

On March 8, 2002 Miramar completed the sale by way of private placement to Canadian investors of 2,666,667 flow through common shares at C\$1.50 per share for gross proceeds of \$4 million. This financing will be used to fund on-going activities at the Hope Bay project in Nunavut, including approximately 8,900 of infill drilling and other Doris Hinge related work, plus 4,000 metres of exploration core drilling and 2,800 metres of reverse circulation drilling planned for March through April of this year. This exploration drilling will be conducted at a number of recently developed targets with the objective of identifying areas with potential to host significant new gold deposits.

This news release has been authorized by the undersigned on behalf of Miramar Mining Corporation.

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*This News Release contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning the expected financial results of the Company, operating results, costs, cash flows and capital expenditures at the Con and Giant Mines, the potential of the Hope Bay project ; the proposed business combination with Hope Bay Gold Corporation and the anticipated effects of the roof collapse at the Yellowknife oxygen plant. These forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those reflected in the forward-looking statement including, without limitation, uncertainties involved in recovery rates; accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production, and variations in ore grade; risks and uncertainties relating to fluctuating precious and base metals prices, currency exchange rates and equity markets; the possibility of unexpected costs and expenses relating to environmental issues, uncertainties relating to the need for government approvals and the cooperation of government agencies in regards to any environmental liabilities and other risks and uncertainties, including those described in this news release and in the Company's Annual Report on Form 20-F for the year ended December 31, 2000 and Reports on Form 6-K filed with the Securities and Exchange Commission.*

# MIRAMAR MINING CORPORATION

Consolidated Balance Sheets  
(expressed in thousands of dollars)

December 31, 2001 and December 31, 2000

	2001	2000
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,493	\$ 17,670
Accounts receivable	1,124	1,967
Inventory (note 5)	9,310	9,207
Prepaid expenses	571	1,065
	<u>24,498</u>	<u>29,909</u>
Capital assets (note 6)	54,584	117,859
Cash collateral deposits (note 7)	3,827	4,546
Northern Orion Explorations Ltd. (note 3):		
Equity investment	4,332	-
Net proceeds interest	15,000	-
Other assets (note 8)	<u>25</u>	<u>203</u>
	<u>\$ 102,266</u>	<u>\$ 152,517</u>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,429	\$ 8,711
Provision for site reclamation and closure costs (note 2)	7,962	7,689
Deferred post-retirement benefits (note 11)	1,696	1,556
Future income tax liability (note 10)	3,448	1,680
Future income tax liability of subsidiary	-	15,990
Non-controlling interest	<u>-</u>	<u>32,142</u>
	<u>21,535</u>	<u>67,768</u>
Shareholders' equity:		
Share capital (note 9)	230,463	231,282
Special warrants (note 9)	2,700	-
Deficit	<u>(152,432)</u>	<u>(146,533)</u>
	<u>80,731</u>	<u>84,749</u>
	<u>\$ 102,266</u>	<u>\$ 152,517</u>

Commitments and contingencies (note 15)

Subsequent events (note 16)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director:

Director:

# MIRAMAR MINING CORPORATION

Consolidated Statements of Operations and Deficit  
(expressed in thousands of dollars except share amounts)

Years ended December 31, 2001 and 2000

	2001	2000
Revenue:		
Sales	\$ 54,919	\$ 51,202
Other income	902	1,501
	55,821	52,703
Expenses:		
Cost of sales	47,455	44,097
Depreciation and depletion	8,895	9,242
General and administration	2,851	4,163
Administration costs in Northern Orion	174	-
Exploration and property investigation	12	1,080
Foreign exchange gain	(129)	(137)
Reclamation	1,772	1,552
Severance and terminations	93	678
Writedown of mineral properties and other assets	-	1,958
Writedown of mineral properties in subsidiary (note 8)	-	48,175
	61,123	110,808
Loss from operations before items noted below	5,302	58,105
Equity in loss of Northern Orion	571	-
Non-controlling interest	(134)	(8,994)
Loss before income taxes	5,739	49,111
Income taxes:		
Current (note 10)	160	-
Future income tax recovery	-	(5,720)
Loss for the year	5,899	43,391
Deficit, beginning of year	146,533	103,142
Deficit, end of year	\$ 152,432	\$ 146,533
Loss per share	\$ 0.10	\$ 0.76
Weighted average number of common shares and special warrants outstanding	61,682,152	56,935,480

See accompanying notes to consolidated financial statements.

# MIRAMAR MINING CORPORATION

Consolidated Statements of Cash Flows  
(expressed in thousands of dollars)

Years ended December 31, 2001 and 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (5,899)	\$ (43,391)
Items not involving cash:		
Depreciation and depletion	8,895	9,242
Write-down of mineral properties in subsidiary	-	48,175
Writedown of mineral properties and other assets		1,958
Gain on sale of equipment	(265)	
Future income tax recovery	-	(5,720)
Reclamation	309	441
Equity in loss of Northern Orion	571	-
Non-controlling interest	(134)	(8,994)
Other	319	779
Net change in non-cash working capital:		
Decrease (increase) in accounts receivable	997	(291)
Increase in inventory	(103)	(2,764)
Decrease in prepaid expenses	494	1,163
Decrease in accounts payable and accrued liabilities	306	2,153
	5,490	2,751
Investments:		
Acquisition of mineral properties	-	(300)
Expenditures on plant, equipment and deferred exploration	(14,576)	(16,584)
Proceeds on sale of short-term investments	-	6,292
Collateral deposits	719	(1,811)
Proceeds on sales of mine equipment	541	-
	(13,316)	(12,403)
Financing:		
Issue of special warrants and common shares for cash, net	3,649	3,585
	3,649	3,585
Decrease in cash and cash equivalents	(4,177)	(6,068)
Cash and cash equivalents, beginning of year	17,670	23,737
Cash and cash equivalents, end of year	\$ 13,493	\$ 17,669
Supplementary information:		
Income taxes paid	\$ 160	\$ 35

See accompanying notes to consolidated financial statements.

# MIRAMAR MINING CORPORATION

Notes to Consolidated Financial Statements  
(Tabular Dollar Amounts Expressed in Thousands of Dollars)

Years ended December 31, 2001 and 2000

## 1. Significant accounting policies:

### (a) Basis of preparation:

The consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the accounts of unincorporated joint ventures. The Company's subsidiaries and joint ventures and its percentage ownership in each at December 31, are as follows:

Miramar Con Mine Ltd. ("Con Mine")	100.0%
Miramar Giant Mine Ltd.	100.0%
Miramar Hope Bay Ltd.	100.0%
Hope Bay Joint Venture (note 4)	50.0% (2000-50.0%)
Northern Orion Explorations Ltd. ("Northern Orion") (note 3)	61.5% (2000-62.1%)
Miramar Gold Corporation	100.0%
Golden Eagle Mine (formerly "Golden Eagle Joint Venture")	100.0% (2000-60.0%)
Orcana Resources Corporation	100.0%
Talapoosa Mining Corp.	100.0%
Miramar Finance Corporation	100.0%

The Company accounts for its investments in the Hope Bay Joint Venture using the proportionate consolidation method. For the year ended December 31, 2000, the Company accounted for its investment in the Golden Eagle Joint Venture using the proportionate consolidation method.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that effect the reported values of assets and liabilities and the 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. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, reclamation obligations, future income taxes and rates for amortization of capital assets. Actual results could differ from these estimates.

### (b) Cash and cash equivalents:

Cash and cash equivalents include investments with terms to maturity of three months or less when purchased.

### (c) Revenue recognition and inventory:

Revenue is recognized on production and product inventories are recorded at estimated net realizable value. Materials and supplies inventories are valued at average cost less appropriate allowances for obsolescence.

## 1. Significant accounting policies (continued):

### (d) Capital assets:

Capital assets, which include mine plant and equipment and mineral properties, are recorded at the lower of cost and estimated net recoverable amount. Plant and equipment are depreciated over their estimated useful lives, not to exceed the estimated proven and probable ore reserves. Mining equipment and vehicles are depreciated on a straight-line basis over estimated useful lives of two to 15 years. Hydro-electric assets are depreciated on a straight-line basis over 25 years. Office furniture and computer equipment are depreciated using the declining balance method at 20% and 30%, respectively.

The cost of mineral properties and related exploration and development costs are deferred until the properties are placed into production, sold or abandoned. These costs are amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse or abandoned.

### (e) Provision for site reclamation and closure costs:

Costs related to ongoing site restoration programs are expensed as incurred. Estimated costs of mine closure and site restoration are accrued and expensed over the estimated remaining life of the mineral properties on a unit-of-production basis. Estimates of the ultimate site reclamation and closure costs are based on current laws and regulations and expected costs to be incurred.

### (f) Pension expenses and obligation:

The Company maintains defined benefit pension plans and provides certain non-pension post-retirement benefits consisting of extended health and other benefits. The cost of providing pension and other post-retirement benefits is actuarially determined and charged to earnings using the projected unit credit actuarial method based upon managements best estimate assumptions. Pension fund assets are valued at fair value. The pension expense for the year includes adjustments for plan amendments, experience gains and losses, and changes in assumptions which are being amortized on a straight-line basis over the expected average remaining service lives of the plan members. Any differences between the cumulative amounts expensed and the funding contributions are reflected as either an asset or a liability.

### (g) Stock-based compensation plan:

The Company has a stock-based compensation plan. No compensation expense is recognized for these plans when shares or stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. The plan provides that these options can alternatively be exercised as stock appreciation rights, whereby an optionee can elect to receive common shares equal to the appreciation in value of the optioned shares over the option price. No dollar amount is recognized in the financial statements when shares are issued as stock appreciation rights.

### (h) Translation of foreign currency:

The accounts of foreign operations are translated into Canadian dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date
- other assets and liabilities at applicable historical exchange rates
- revenues and expenses at the average rate of exchange for the period covering the statement of operations except for expenses related to non-monetary assets which are at the rates used for the translation of the related assets.

Translation gains and losses are included in earnings.

## 1. Significant accounting policies (continued):

### (i) Forward sales and hedging:

The Company uses forward sales agreements and options contracts for the purpose of managing price and currency exposures on its anticipated gold sales. These financial instruments are accounted for as hedges of anticipated transactions. Option premiums and gains and losses from these contracts are recorded in income in the same period as metal is produced to meet the hedged commitments.

The Company sells written call options. Based on recommendations issued by the Canadian Institute of Chartered Accountants for written call options sold subsequent to October 24, 2000, the premiums received at the inception of the written call options are recorded as a liability. Changes in the fair value of the liability are recognized in the statement of operations at each period end.

### (j) Income taxes:

The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary difference) and loss carryforwards. Future income tax assets and liabilities are measured using the substantially enacted or enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in the results of operations in the period in which the change is substantially enacted. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

### (k) Loss per common share:

Basic loss per share is calculated by dividing loss available to common shareholders by the weighted average number of common shares and unrestricted special warrants outstanding in the period. For all periods presented, loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options are applied to repurchase common share at the average market price for the period. This policy was adopted in the year ended December 31, 2001 and has been applied retroactively. There was no impact from the retroactive application on dilutive loss per share.

## 2. Comparative figures:

Reclamation liabilities for the Hope Bay properties assumed on acquisition in fiscal 1999 have been increased by \$650,000 and consequently the purchase price of mineral properties have been increased by \$650,000. There was no effect on income.

Certain comparative figures have been reclassified to conform to the classification adopted in the current year's consolidated financial statements.



### 3. Northern Orion Explorations Ltd.:

During the year end December 31, 2001, as part of a financial restructuring of Northern Orion Exploration Ltd., the Company granted an option to an unrelated party allowing the holder to purchase approximately 60 million shares of Northern Orion from the Company for \$0.08 per share. This option granted voting rights over the shares under option to the holder effective April 30, 2001. As a result, the Company no longer controls Northern Orion and ceased consolidation of its investment in Northern Orion. Commencing May 1, 2001, the Company accounts for its investment in Northern Orion using the equity method of accounting. The carrying amounts for the assets and liabilities of Northern Orion as at May 1, 2001 which were removed from the balance sheet are as follows:

(in \$000)		
Current assets	\$	102
Capital assets		53,681
		53,783
Less:		
Current liabilities		(846)
Reclamation liabilities		(36)
Future income taxes		(15,990)
Non-controlling interest		(32,008)
Net assets being the equity carrying value at May 1, 2001		4,903
Equity in loss for the period from May 1, 2001 to December 31, 2001		(571)
Net carrying value at December 31, 2001	\$	4,332

The option granted by the Company for the purchase of 60 million shares in Northern Orion expires June 30, 2002. If the holder of the option acquires the shares, the Company has also agreed to sell the remaining amounts it has receivable from Northern Orion having a face value of \$6.9 million for nominal consideration. No value has been assigned to this receivable in these consolidated financial statements. The Company would retain 10 million shares of Northern Orion which, should the option be fully exercised, represent less than 10% of Northern Orion. The Company retains a net proceeds interest ("NPI") in certain Northern Orion mineral properties. The Company acquired the NPI pursuant to a restructuring agreement with Northern Orion. The NPI entitles the Company to receive the economic equivalent of a 2.5% net smelter return on all of Northern Orion's mineral properties as well as 50% to 100% of the proceeds from the disposition of certain Northern Orion mineral properties. The total amount payable by Northern Orion is

### 3. Northern Orion Explorations Ltd. (continued):

\$15.0 million. Recovery of the carrying value of the total investment amounting to \$19.41 million is dependant upon the sale of Northern Orion shares or the option for the sale of the shares being exercised and receipt of net proceeds from eventual production from the properties or their sale by Northern Orion.

**4. Investment in Joint Venture:**

The Company's proportionate share of the financial position of Hope Bay Joint Venture is:

	2001	2000
Current assets	\$ 1,263	\$ 1,192
Deferred exploration and development	13,239	5,401
	14,502	6,593
Current liabilities	(320)	(526)
Site reclamation liability	(650)	(650)
Contributed equity	\$ 13,532	\$ 5,417

The Company supplied services to Hope Bay Joint Venture totaling \$548,000 in the year. All transactions are at market prices and on normal business terms.

**5. Inventory:**

	2001	2000
Gold and silver	\$ 3,202	\$ 3,023
Materials and supplies	6,108	6,184
	\$ 9,310	\$ 9,207

**6. Capital assets:**

	2001	2000
Producing		
Property, plant and equipment	\$ 74,959	\$ 83,955
Deferred exploration and development	48,019	41,972
Accumulated depreciation, depletion and write-downs	(103,664)	(102,637)
	19,314	23,290
Non-Producing		
Property, plant and equipment	1,884	3,438
Mineral properties	34,744	94,032
Accumulated depreciation and depletion	(1,358)	(2,901)
	35,270	94,569
	\$ 54,584	\$ 117,859

It is management's policy to review the carrying value of all mineral properties on an ongoing basis. In 2000, the Company recorded a write-down of mineral properties held by Northern Orion of \$48.2 million.

## 7. Cash collateral deposits:

The Company has established the following cash deposits with chartered banks to serve as collateral for letters of credit pledged in favour of various governmental agencies under several water licences and mineral exploration and mining agreements. The deposits are invested in guaranteed investment certificates and bear interest at market rates. These funds will be returned to the Company upon final reclamation of the properties to which they relate.

	2001	2000
Con Mine water license	\$ 1,500	\$ 1,522
Bluefish water license	200	200
Giant Mine water license	200	200
Giant Mine road permit	50	50
Golden Eagle reclamation	434	949
Talapoosa reclamation	218	400
Hope Bay water licenses and land permits	1,225	1,225
	\$ 3,827	\$ 4,546

## 8. Other assets:

	2001	2000
Investments	\$ 14	\$ 14
Other	11	189
	\$ 25	\$ 203

## 9. Share capital and convertible debentures:

### (a) Authorized:

500,000,000 common shares without par value.

### (b) Issued:

	Common shares		Special warrants	
	Number of shares	Amount	Number of shares	Amount
Balance December 31, 1998 and 1999	56,693,804	\$ 229,377		
Issued:				
Special warrants, net of costs	-	-	3,333,500	\$ 3,438
Conversion of special warrants into common shares	3,333,500	3,438	(3,333,500)	(3,438)
Future income tax effect of flow through shares issued	-	(1,680)		
On settlement of debt	110,000	147		
On exercise of stock appreciation rights	28,143	-		
Balance December 31, 2000	60,165,447	231,282	-	-
Issued:				
Special warrants, net of costs	-	-	3,076,838	\$ 3,628
Conversion of special warrants into common shares	786,623	928	(786,623)	(928)
Future income tax effect of flow through shares issued	-	(1,768)		
On exercise of stock appreciation rights	35,713	-		
On exercise of stock options	22,000	21		
Balance December 31, 2001	61,009,783	\$ 230,463	2,290,215	\$ 2,700

## 9. Share capital and convertible debentures (continued):

During the year ended December 31, 2000, the Company completed a private placement of 3,333,500 Special Warrants. The gross proceeds of the offering of Special Warrants of \$4,000,200 were used by the Company to incur Canadian Exploration Expenditures as defined by the Canadian Income Tax Act. Each Special Warrant was converted into one flow-through common share.

In May 2001, the Company completed a private placement of 3,076,838 Special Warrants at a price of \$1.30 per Special Warrant. Each Special Warrant is convertible, without additional payment, into one flow-through common share. There are no restrictions on the ability of the holder to convert the special warrants to common shares. At year-end, 2,290,215 Special Warrants remain to be converted. The gross proceeds of the offering of Special Warrants of \$3,999,890 must be used by the Company to incur Canadian Exploration Expenditures as defined by the Canadian Income Tax Act on the Hope Bay Project by December 31, 2002. The agent for the Special Warrants offering received commissions of \$259,993 on closing and an option to purchase 206,116 common shares at \$1.30 per share that expires in May 2003.

### (c) Stock options:

Stock options are granted at the closing market price of the common shares on the last trading day before the date of grant. Options have a maximum term of ten years and usually terminate 30 days following the termination of the optionee's employment. All options granted are exercisable within two years from date of grant. The stock option plan includes share appreciation rights providing for an optionee to elect to terminate options and to receive an amount in common shares equal to the difference between the fair market value at the time of termination and the exercise price for those options terminated.

At December 31, the Company had stock options outstanding as follows:

	2001		2000	
	Shares options	Average exercise price	Shares options	Average exercise price
Outstanding, beginning of year	1,855,000	\$ 4.01	2,549,559	\$ 5.65
Granted	991,121	1.00	464,000	0.70
Exercised	(192,000)	0.92	(55,000)	0.70
Forfeited and expired	(932,000)	6.40	(1,103,559)	6.56
Outstanding, end of year	1,722,121	\$ 1.33	1,855,000	\$ 4.01

The stock options outstanding at December 31, 2001 are fully vested and expire as follows:

Year	Number	Exercise price
2002	145,000	\$ 5.54
2004	438,000	1.03
2005	330,000	0.70
2006	809,121	1.00

**9. Share capital and convertible debentures (continued):**

(d) Warrants:

At December 31, 2000, a non-transferable Broker's Warrant issued by the Company entitling the holder to acquire up to 233,345 common shares of the Company at a price of \$1.25 was outstanding. This Broker's Warrant expired on September 7, 2001.

In May 2001, as part of the Special Warrants private placement completed by the Company, the agent received an option to purchase 206,116 common shares at \$1.30 per share exercisable until May 2003.

**10. Income and resource taxes:**

At December 31, 2001, the Company has unused tax loss carry forwards in Canada of \$19.3 million (2000 - \$29.7 million) expiring between the years 2002 and 2008 which are available to reduce taxable income and capital losses of \$22.6 million which are available indefinitely, but can only be utilized against capital gains. The ability of the Company to utilize the loss carry forwards and the capital losses is considered unlikely and a valuation allowance has been provided against these assets. The Company also has U.S.\$5.9 million of U.S. tax loss carry-forwards that expire between the years 2002 and 2018. These U.S. tax losses relate primarily to operations that have been suspended or abandoned. The ability of the Company to utilize these losses is considered unlikely and a valuation allowance has been provided against this asset.

The tax effect of the significant components within the Company's future tax asset (liability) were as follows:

As at December 31	2001	2000
Loss carry-forwards	\$ 10,402	\$ 16,099
Capital losses	4,027	-
Capital assets	13,675	11,144
Canadian mining royalty	21,066	21,220
Canadian resource deductions	6,069	10,953
Reclamation liabilities	2,363	2,181
Equity investment and net proceeds interest	7,305	-
Other	1,151	1,624
	66,058	63,221
Valuation allowance	(66,058)	(63,221)
Net future tax asset	-	-
Future income tax liability in subsidiary	-	(15,990)
Future income tax liability on flow-through shares	(3,448)	(1,680)
Net future income tax liability	\$ (3,448)	\$ (17,670)

#### 10. Income and resource taxes (continued):

Income tax recovery attributable to losses differs from the amounts computed by applying the combined federal and provincial income tax rate of 43.6% (2000 - 40.8%) to pretax losses as a result of the following:

	2001	2000
Losses before equity loss, non-controlling interest and income taxes	\$ 5,302	\$ 58,105
Computed "expected" tax recovery (expense)	2,312	23,707
Reduction in income taxes resulting from change in:		
Valuation allowance	(2,312)	(17,987)
Capital taxes	160	-
Income taxes (recovery)	\$ 160	\$ (5,720)

#### 11. Pension plan and other post-retirement benefits:

The Company has four defined benefit pension plans covering substantially all of the employees at the Con Mine and the Giant Mine. These plans are funded on an ongoing basis, based on periodic actuarial valuations and statutory requirements. In addition, the Company by practice provides for other post-retirement benefits. The liability for these benefits is estimated for accounting purposes on an ongoing basis using periodic actuarial calculations.

Summary information related to the defined benefit pension plans and other benefits are as follows:

	Pension benefit plans		Other benefit plans	
	2001	2000	2001	2000
Accrued benefit obligation	\$ 14,305	\$ 13,256	\$ 947	\$ 1,556
Fair value of plan assets	14,625	14,481	-	-
Funded status surplus (deficit)	320	1,225	(947)	(1,556)
Unamortized past service costs	76	-	(749)	-
Unamortized experience gain	943	-	-	-
Net accrued asset (liability)	\$ 1,339	\$ 1,225	\$ (1,696)	\$ (1,556)

#### Reconciliation of accrued benefit obligation:

	Pension benefit plans		Other benefit plans	
	2001	2000	2001	2000
Balance, beginning of year	\$ 13,256	\$ 12,626	\$ 1,556	\$ 1,363
Current service cost	642	558	24	94
Interest cost	924	864	61	114
Benefits paid	(613)	(792)	(27)	(15)
Actuarial gains (losses)	95	-	(599)	-
Accrued benefit obligation, end of year	\$ 14,304	\$ 13,256	\$ (1,015)	\$ (1,556)

# 11. Pension plan and other post-retirement benefits (continued):

## Reconciliation of plan assets:

	Pension benefit plans		Other benefit plans	
	2001	2000	2001	2000
Fair value, beginning of year	\$ 14,481	\$ 13,884	\$ -	\$ -
Actual return on plan assets	144	364	-	-
Employer contributions	613	1,025	27	15
Benefits paid	(613)	(792)	(27)	(15)
Fair value of plan assets, end of year	\$ 14,625	\$ 14,481	\$ -	\$ -

Pension expense in the year for the pension plans was \$498,000 (2000 - \$396,000). Other benefit expense for the year is \$144,000 (2000 - \$208,000). Pension expense for the year was comprised of the following:

	2001	2000
Current service cost	\$ 642	\$ 558
Interest cost	924	865
Expected return on plan assets	(1,087)	(1,026)
Amortization of past service costs	19	-
	\$ 498	\$ 396

In one of the defined benefit pension plans, the accrued benefit obligation exceeds the fair value of plan assets at year-end by \$791,000 (2000 - \$834,000). Payments are being made to fund the excess of the accrued benefit obligation over the fair value of plan assets in accordance with applicable legislation.

For purposes of measuring other benefits, an 80% probability was assigned to termination of employees in five years due to mine closure. The significant actuarial assumptions used in 2001 and 2000 in the measurement of the Company's benefit obligation are shown in the following table:

	Pension benefits	Other benefits
Discount rate	6.75%	6.75%
Expected long-term rate of return on plan assets	7.50%	n/a
Weighted average rate of compensation increase	1.25%	n/a

## 12. Business segments:

- (a) Reportable Segments – The Company's two operating mines produce gold and are located in Canada. Hope Bay is an exploration stage gold property located in Canada. Development stage copper properties in Central and South America are owned by Northern Orion which is 61.48% (2000 – 62.1%) owned by the Company and equity accounted for since May 1, 2001. Reportable assets and revenues do not differ materially from the amounts disclosed in these consolidated financial statements, as there are no material inter-segment sales.

**12. Business segments (continued):**

(b) Geographic Segments - The Company operates in Canada, Central America and South America.

The Company's capital assets, capital expenditures, revenues and loss before non-controlling-interest, equity loss and future income tax recovery ("FIT") by operating and geographic segment are as follows:

2001		Capital assets		Capital expenditures		Revenues		Loss before non- controlling interest, equity loss
Gold operations	\$	19,314	\$	6,383	\$	54,919	\$	2,502
Gold exploration		33,601		8,053		-		-
Northern Orion		-		66		13		174
Other		1,669		74		889		2,626
	\$	54,584	\$	14,576	\$	55,821	\$	5,302

2000		Capital assets		Capital expenditures		Revenues		Loss before non- controlling interest, equity loss and FIT
Gold operations	\$	21,719	\$	9,149	\$	51,202	\$	3,363
Gold exploration		26,207		5,494		-		-
Northern Orion		68,633		1,810		66		49,708
Other		1,300		431		1,435		5,034
	\$	117,859	\$	16,884	\$	52,703	\$	58,105

**13. Financial risk management:**

(a) Gold hedging:

In order to manage its exposure to fluctuations in the price of gold, the Company enters into fixed forward, spot deferred and options contracts in the course of its business. Forward sales agreements obligate the Company to sell gold at a specified price on a specified date. Spot deferred contracts allow the Company to defer the delivery of gold under the contracts to a later date at the original contract price plus the prevailing premium (contango) at the time of the deferral, thereby allowing the Company to participate in current market price increases while providing future downside protection. Put options provide the holder with the right, but not the obligation, to sell gold at the contract price. Call options written provide the holder with the right, but not the obligation to purchase gold at the contract price.



### 13. Financial risk management (continued):

#### (a) Gold hedging (continued):

The Board of Directors has approved a hedging policy and reviews the Company's hedging position periodically. As at December 31, 2001, the Company had entered into the following gold contracts:

	Ounces	Average price per ounce	Anticipated delivery/expiry
Gold forward sales contracts	5,000	US\$278	2002
Gold forward sales contracts	10,000	CAD\$443	2002
Gold call options sold	10,000	US\$285	2002
Gold call options sold	23,000	CAD\$448	2002
Gold call options sold	18,000	CAD\$450	2003

As at December 31, 2000, the Company had entered into the following gold contracts:

	Ounces	Average price per ounce	Anticipated delivery/expiry
Gold forward sales contracts	7,300	US\$275	2001
Gold call options sold	18,000	US\$285	2002
Gold call options sold	18,000	US\$285	2003

#### (b) Foreign currency hedging:

All of the Company's mineral revenues are denominated in US dollars. In order to manage its exposure to currency fluctuations, the Company may enter into currency forward sales or options contracts. The Board of Directors has approved a hedging policy and reviews the Company's hedging position periodically.

As at December 31, 2001, the Company had outstanding contracts as follows:

	U.S. dollars	Average exchange rate
U.S. \$ forward sales	\$ 1,000,000	1.5902

As at December 31, 2000, the Company had no outstanding currency contracts.

#### (c) Credit risks:

The Company's ability to realize on the above contracts is dependent upon the ability of the counter-parties to perform in accordance with the terms of the agreements. The Company deals only with major financial institutions with investment grade credit ratings and does not expect any counter-parties to fail to meet their obligations.

#### 14. Financial instruments:

Fair value estimates are made at the balance sheet date, based upon relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment. Changes in assumptions and market conditions could significantly affect these estimates. Factors used in determining the fair value of gold call options are the contracted sales price of gold in comparison to current spot price and the probability of movements in the price of gold over the term of the option. As at December 31, 2001, the combination of the current spot price of U.S.\$ 278 per ounce and the probability of future price changes has had a significant effect on the fair value of gold call options sold. However, the effect of the probability of future price changes on the fair value estimate diminishes over the life of the option. The carrying values of all financial instruments approximated fair values, except for derivative instruments.

The fair value excess (deficit) of derivative instruments at December 31 are as follows:

	2001		2000	
	Carrying value	Fair value	Carrying value	Fair value
Derivatives:				
Gold forward sales contracts	\$ —	\$ (28)	\$ —	\$ 37
Gold calls sold	(112)	(1,017)	—	(1,159)
U.S. \$ forward sales	—	—	—	—

During the year, the Company entered into an agreement with a financial institution for the purchase and sale of swaps and derivatives that contains certain financial covenants that the Company must maintain with respect to net tangible assets, current ratio, total liabilities, trade creditors and liquid assets. If the Company fails to meet any of these covenants, the financial institution has the right to demand payment of the net value of any contracts that are outstanding at the time of default. At December 31, 2001, the Company was not offside with any of these financial covenants.

#### 15. Commitments and contingencies:

- (a) The Con Mine is committed to the purchase of \$780,000 of liquid oxygen per annum through 2007, subject to an ongoing purchase option in the Company's favour at the discounted value of the remaining payments.
- (b) The Con Mine has granted a \$20 million fixed charge demand debenture secured by its assets in favour of a private company in return for certain environmental indemnities provided by the private company to a previous owner of the Con Mine. The charge is only enforceable by the private company if it is required to indemnify the previous owner for actual environmental liabilities.
- (c) As a condition of the acquisition of the Giant Mine assets, Miramar Giant Mine Ltd. ("MGML") has established cash collateral security of \$200,000 (note 7) and has issued promissory notes in the total amount of \$4.8 million as security under the existing water licence. The promissory notes are secured solely by the Giant Mine assets and are due only from MGML upon default of the Reclamation Security Agreement ("RSA"). Under the RSA, MGML is required to pledge additional security to a Canadian government agency under a water license by issue of a promissory note for an additional \$2.0 million on or before June 30, 2002. Recourse for this additional security is limited solely to the Giant Mine assets. These notes are provided as security solely against the ultimate reclamation costs of the Giant Mine.

#### 15. Commitments and contingencies (continued):

Under the RSA, the Con Mine had agreed to match government funded exploration expenditures within the Yellowknife Greenstone belt to a maximum of \$500,000 per year of which a minimum of 30% of the expenditures will be used in programs on the Giant Mine Assets. The amendment to the RSA completed in November 2001 removed this provision. The amendment to the RSA also provided that MGML continue to operate the mine and hold the property in compliance with environmental requirements for an indefinite term. In compensation for environmental and holding costs, MGML will be reimbursed \$300,000 monthly. Termination of the RSA agreement by MGML requires written notice one month prior to termination date.

- (d) On August 8, 2000, the Company received a renewal water licence for the Con Mine issued under the Northwest Territories Waters Act. This licence expires on July 29, 2006. A condition of the licence is that Con Mine maintains a security deposit in a form acceptable to the issuer. The security deposit of \$1.5 million (note 8) is subject to an increase of \$1.5 million on each subsequent anniversary of the licence until \$9 million is available. In June 2001, the Company proposed to post a \$1.5 million encumbrance on the Bluefish hydroelectric facility as security. This is currently being negotiated with the issuer. Reductions in the security deposit may be granted based upon the annual estimates of the remaining reclamation liability for the Con Mine.
- (e) In 1995, the Company entered into a joint exploration transaction with an investor that resulted in the sale of an interest in the assets comprising the Con Mine. The transaction was based upon an independent valuation prepared for the Company. In 2000, Canada Customs and Revenue Agency (the "Agency") issued a re-assessment notice challenging the valuation that formed the basis for this transaction. This re-assessment does not give rise to any taxes payable by the Company. However, as part of the transaction in 1995, the Company agreed to compensate the investor for any shortfall in the value of the assets transferred to a maximum of \$2.7 million plus accrued interest, which amounts to approximately \$1.3 million, such amounts to be payable should a ruling denying the transfer of certain tax pools be made against the Company. As present, the Company has requested certain information from the Agency and is awaiting a response. While management intends to strenuously defend the independent valuation, the outcome of this issue is not yet determinable. No provision for these costs has been recorded at December 31, 2001.

#### 16. Subsequent events:

- a) In February 2002, the Company announced that it had reached an agreement in principle to merge with Hope Bay Gold Corporation ("Hope Bay Gold") on the basis of 0.263 of a common share of the Company per one common share of Hope Bay Gold. The transaction is expected to take the form of a court-approved amalgamation between a subsidiary of the Company and Hope Bay Gold. This transaction would result in the Hope Bay Gold shareholders holding 38% of the Company. Hope Bay Gold's primary asset is the 50% interest in the Hope Bay project. Certain assets of Hope Bay Gold are not intended to be included in this transaction. Completion of the transaction is subject to Hope Bay Gold shareholder approval as well as regulatory and court approval. A \$1.5 million breakup fee is payable by Hope Bay Gold if fewer than 55% of the Hope Bay Gold shareholders approve the transaction.
- b) In February 2002, the Company announced that it has entered into a Letter of Intent for a private placement of up to 2,666,667 flow-through shares at a price of \$1.50 per share resulting in gross proceeds of up to \$4.0 million. In consideration for its services, the agents will receive a 6.5% cash commission and an agent's option to acquire shares in an amount equal to 7% of the number of flow through common shares sold. The agent's option will be exercisable within two years at \$1.50 per share. This offering is subject to regulatory approval.

**16. Subsequent events (continued):**

- c) In February 2002, Talapoosa Mining Inc., an indirect wholly owned subsidiary of the Company, entered into a definitive purchase and sale agreement for the Talapoosa property ("Property") in Nevada, USA, with American Gold Capital Corporation ("AGC"). In accordance with the Agreement, the Company will receive 575,000 common shares of AGC as partial consideration for the Property. In addition the Company will be granted an option to acquire an additional 175,000 common shares for nominal consideration upon either (i) completion of a positive feasibility study in respect of the Property or (ii) completion of a subsequent sale of the Property for gross proceeds greater than \$2.0 million. In the event AGC sells all or part of the Property for less than \$2.0 million, AGC is obligated to pay 8.75% of the gross proceeds to the Company in either cash or shares at the then market price, up to a maximum of \$175,000. This transaction is subject to regulatory approval.
  
- d) On March 18 2002, the Company announced the collapse of the roof of the building containing the oxygen plant at the Company's Con Mine in Yellowknife. The building is not generally occupied and there were no injuries as a result of the collapse. The oxygen plant is a leased facility that provides oxygen to the autoclave for the oxidation of refractory sulphide concentrates produced from ores mined at the Company's Con and Giant Mines. The cause of the incident has not yet been determined. Autoclave operations have been temporarily suspended and the impact on operations is unknown. This incident does not affect the production of gold from the free milling operations. The cost impact of this incident and the required adjustments to ongoing operations are currently being assessed; however there should not be any long-term impact to the Company. Based on available information, it is estimated that overall operating costs could increase by \$1.0-\$1.5 million for fiscal 2002.