

**CRYSTALLEX INTERNATIONAL CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**(Expressed in Canadian dollars)**

**(Unaudited – Prepared by Management)**

**CRYSTALLEX INTERNATIONAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	March 31, 2001	March 31, 2000	December 31, 2000
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 4,421,312	\$ 9,434,023	\$ 4,418,442
Accounts receivable	3,237,681	2,212,378	2,409,709
Production inventories	11,105,336	10,054,963	10,994,368
Supplies inventory and prepaid expenses	953,976	1,195,212	2,957,347
Marketable securities	227,901	141,043	227,901
Due from related parties	<u>28,972</u>	<u>28,120</u>	<u>35,618</u>
	19,975,178	23,065,739	21,043,385
<b>Security deposits</b>	262,559	189,886	255,131
<b>Note Receivable</b> (Note 3)	2,306,630	-	-
<b>Long-term investment securities</b> (Note 4)	2,643,338	-	2,643,338
<b>Property, plant and equipment</b> (Note 6)	158,168,340	93,689,078	135,444,453
<b>Deferred financing fees</b> (Note 7)	517,330	-	101,453
<b>Deferred acquisition costs</b>	<u>-</u>	<u>-</u>	<u>4,598,639</u>
	<u>\$ 183,873,375</u>	<u>\$ 116,944,703</u>	<u>\$ 164,086,399</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CRYSTALLEX INTERNATIONAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	March 31 2001	March 31, 2000	December 31, 2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 14,019,804	\$ 7,920,837	\$ 16,611,935
Due to related parties	341,369	40,230	292,184
Current portion of long-term debt (Note 9)	472,891	4,920,120	487,338
Loan payable (Note 10)	300,000	-	700,000
Due to Bema Gold (Note 5)	<u>3,625,490</u>	<u>-</u>	<u>-</u>
	18,759,554	12,881,187	18,091,457
<b>Reclamation provision</b> (Note 8)	1,634,185	1,165,965	1,485,301
<b>Long-term debt</b> (Note 9)	33,827,587	16,139,267	32,656,570
<b>Deferred charges</b>	<u>843,791</u>	<u>942,531</u>	<u>797,127</u>
	<u>55,065,117</u>	<u>31,128,950</u>	<u>53,030,455</u>
<b>Minority Interest</b>	<u>8,961,107</u>	<u>-</u>	<u>142,886</u>
<b>Shareholders' equity</b>			
Capital stock			
Authorized			
Unlimited Common shares, without par value			
Unlimited Class "A" preference shares, par value \$50			
Unlimited Class "B" preference shares, par value \$250			
Issued			
December 31, 2000 – 59,154,221 common shares			
March 31, 2000 – 48,550,131 common shares			
March 31, 2001 – 66,139,579 common shares	139,790,218	110,401,065	130,732,129
Capital stock subscribed			
December 31, 2000 – 1,025,000 common shares			
March 31, 2000 – Nil common shares			
March 31, 2001 – Nil common shares	-	-	1,955,644
Cumulative translation adjustment	1,062,170	(1,054,008)	(344,513)
Deficit	<u>(21,005,237)</u>	<u>(23,531,304)</u>	<u>(21,430,202)</u>
	<u>119,847,151</u>	<u>85,815,753</u>	<u>110,913,058</u>
	<u>\$ 183,873,375</u>	<u>\$ 116,944,703</u>	<u>\$ 164,086,399</u>

**Contingencies** (Note 6)

**Commitments** (Note 17)

**On behalf of the Board:**

\_\_\_\_\_  
"Marc J. Oppenheimer"

Director

\_\_\_\_\_  
"Gordon Thompson"

Director

The accompanying notes are an integral part of these consolidated financial statements.

**CRYSTALLEX INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	Three Month Period Ended March 31, 2001	Three Month Period Ended March 31, 2000
<b>OPERATING REVENUE</b>	\$ 14,855,574	\$ 7,950,378
<b>OPERATING EXPENSES</b>		
Operations	9,176,618	5,243,950
Amortization and depletion	<u>2,181,667</u>	<u>985,818</u>
	<u>3,497,289</u>	<u>1,720,610</u>
<b>EXPENSES</b>		
Amortization	19,636	16,488
Consulting	80,062	70,084
Interest on long-term debt	622,596	370,878
Investor relations	184,884	73,920
Office and administration	1,016,647	987,610
Professional fees	<u>154,589</u>	<u>78,500</u>
	<u>2,078,414</u>	<u>1,597,480</u>
<b>Income (loss) before other items</b>	<u>1,418,875</u>	<u>123,130</u>
<b>OTHER ITEMS</b>		
Interest and other income	101,866	965,056
Foreign exchange	(1,095,776)	12,412
Gain on sale of marketable securities	<u>-</u>	<u>102,856</u>
	<u>(993,910)</u>	<u>1,080,324</u>
<b>Income (loss) for the period</b>	<u>\$ 424,965</u>	<u>\$ 1,203,454</u>
<b>Basic earnings per share (Note 2)</b>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
<b>Fully diluted earnings per share (Note 2)</b>	<u>\$ 0.01</u>	<u>\$ 0.02</u>

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**CRYSTALLEX INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	Three Month Period Ended March 31, 2001	Three Month Period Ended March 31, 2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ 424,961	\$ 1,203,454
Adjustments to reconcile income to net cash used in operating activities:		
Amortization and depletion	2,201,303	1,002,307
Foreign exchange	1,095,776	(579)
Gain on sale of marketable securities	-	(102,856)
Interest on convertible notes	69,419	2,265
Reclamation provision	148,884	74,072
Changes in other operating assets and liabilities: (Net of effects from purchase of subsidiaries)		
(Increase) decrease in accounts receivable	(364,231)	1,032,747
(Increase) decrease in production inventories	(110,968)	597,717
Decrease in supplies inventory and prepaid expenses	2,022,729	135,059
Decrease in due from related parties	6,646	7,217
Decrease in accounts payable and accrued liabilities	(3,455,860)	(777,761)
Increase (decrease) in due to related parties	49,185	(30,865)
Net cash provided by (used in) operating activities	<u>2,087,844</u>	<u>3,142,777</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of subsidiaries (Net of cash acquired)	(1,708,379)	-
Purchase of property, plant and equipment	(2,368,744)	(56,196)
Security deposits	(7,428)	2,135
Proceeds on sale of marketable securities	-	137,143
Purchase of marketable securities	-	(137,143)
Net cash used in investing activities	<u>(4,084,551)</u>	<u>(54,061)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of capital stock for cash	10,000	879,500
Debt borrowings	2,161,184	785,592
Debt repayments	(575,630)	(1,941,136)
Net cash provided by financing activities	<u>1,613,554</u>	<u>(276,044)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(383,153)	2,812,672
Effect of exchange rate changes on cash and cash equivalents	<u>386,023</u>	<u>(31,512)</u>
<b>Net increase in cash and cash equivalents</b>	2,870	2,781,160
<b>Cash and cash equivalents, beginning of period</b>	<u>4,418,442</u>	<u>6,652,863</u>

**Cash and cash equivalents, end of period**

\$ 4,421,312 \$ 9,434,023

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**CRYSTALLEX INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	<u>Issued</u>		<u>Capital Stock Subscribed</u>		Deficit	Cumulative Translation Adjustment	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balance at December 31, 1999	45,295,569	\$ 105,393,744	-	\$ -	\$ (24,734,758)	\$ (1,292,830)	\$ 79,366,156
Shares issued for cash	3,181,408	3,704,095	-	-	-	-	3,704,095
Shares issued for management fees	29,536	69,557	-	-	-	-	69,557
Shares issued for legal fee	300,000	698,820	-	-	-	-	698,820
Shares issued for mineral property acquisition	5,849,153	13,301,958	-	-	-	-	13,301,958
Share issued on conversion of notes	4,498,555	8,417,576	-	-	-	-	8,417,576
Share issuance costs on conversion of notes	-	(853,621)	-	-	-	-	(853,621)
Shares subscribed for cash	-	-	1,025,000	1,955,644	-	-	1,955,644
Translation adjustment	-	-	-	-	-	948,317	948,317
Income for the year	-	-	-	-	3,304,556	-	3,304,556
<b>Balance at December 31, 2000</b>	<b>59,154,221</b>	<b>\$ 130,732,129</b>	<b>1,025,000</b>	<b>\$ 1,955,644</b>	<b>\$ (21,430,202)</b>	<b>\$ (344,513)</b>	<b>\$ 110,913,058</b>
Balance at December 31, 1999	45,295,569	\$ 105,393,744	-	\$ -	\$ (24,734,758)	\$ (1,292,830)	\$ 79,366,156
Shares issued for cash	859,500	879,500	-	-	-	-	879,500
Shares issued for management fees	14,768	34,557	-	-	-	-	34,557
Shares issued for mineral property acquisition	1,934,010	3,318,864	-	-	-	-	3,318,864
Share issued on conversion of notes	446,284	874,647	-	-	-	-	874,647
Share issuance costs on conversion of notes	-	(100,247)	-	-	-	-	(100,247)
Translation adjustment	-	-	-	-	-	238,822	238,822
Income for the year	-	-	-	-	1,203,454	-	1,203,454
<b>Balance at March 31, 2000</b>	<b>48,550,131</b>	<b>\$ 110,401,065</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (23,531,304)</b>	<b>\$ (1,054,008)</b>	<b>\$ 85,815,753</b>
Balance at December 31, 2000	59,154,221	\$ 130,732,129	1,025,000	\$ 1,955,644	\$ (21,430,202)	\$ (344,513)	\$ 110,913,058
Shares issued for cash	10,000	10,000	-	-	-	-	10,000
Shares issued for Management fees	41,142	50,193	-	-	-	-	50,193
Shares issued for legal fee	450,000	531,000	-	-	-	-	531,000
Shares issued for mineral property acquisition	3,987,535	5,150,520	-	-	-	-	5,150,520
Share issued on conversion of notes	1,404,622	1,372,996	-	-	-	-	1,372,996
Share issuance costs on Conversion of notes	-	(101,453)	-	-	-	-	(101,453)
Shares allotted for private Placement	1,025,000	1,955,644	(1,025,000)	(1,955,644)	-	-	-
Shares issued for broker fee	67,059	89,189	-	-	-	-	89,189
Translation adjustment	-	-	-	-	-	1,406,683	1,406,683
Income for the year	-	-	-	-	424,965	-	424,965
<b>Balance at March 31, 2001</b>	<b>66,139,579</b>	<b>\$ 139,790,218</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (21,005,237)</b>	<b>\$ 1,062,170</b>	<b>\$ 119,847,151</b>

The accompanying notes are an integral part of these consolidated financial statements.



**CRYSTALLEX INTERNATIONAL CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2001  
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**1. NATURE OF OPERATIONS**

The Company is in the business of acquiring and developing mineral properties. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to complete the development of the properties and upon future profitable production.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and all its subsidiaries. All significant inter-company balances and transactions have been eliminated.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. The costs will be amortized over the proven reserves of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied against the book value of the property. Any revenue received in excess of the property's book value will be included in income at that time.

**Deferred exploration costs**

The Company defers all direct exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the proven reserves of the property following commencement of production. The Company's gold producing mineral properties are the Albino 1 concession, San Gregorio Mining Concession and the Bolivar Goldfields properties. As the Company's policy is to amortize deferred exploration costs over total proven reserves, the Company is currently using total gold produced as its basis for amortization of these costs.

**Values**

The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date and are not intended to reflect present or future values.

**Income taxes**

Effective January 1, 2000, the Company has retroactively adopted the liability method of accounting for income taxes, following new standards adopted by the Canadian Institute of Chartered Accountants. The adoption of the new standards resulted in no adjustments to opening retained earnings. Under the new standards, future income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.....)**

**Use of estimates**

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

**Reclamation costs**

The Company's policy for recording reclamation costs is to record a liability for the estimated costs to reclaim mined land by recording charges to production costs for each tonne of ore mined over the life of the mine. The amount charged is based on management's estimation of reclamation costs to be incurred. The accrued liability is reduced as reclamation expenditures are made. Certain reclamation work is performed concurrently with mining and these expenditures are charged to operations at that time.

**Revenue recognition**

Revenue from mining operations is recognized when gold and silver are shipped to the refineries.

**Production inventories**

Production inventories of gold and silver in process are stated at the lower of average production cost and net realizable value. It is possible that estimates of recoverable ore, grade and gold and silver prices could change causing the Company to write-down production inventory.

**Supplies inventory**

Supplies inventory is valued at the lower of average and replacement costs.

**Plant and equipment**

Plant and equipment are recorded at cost less accumulated amortization. Amortization of plant and equipment used directly in the mining and production of gold is included in operating costs. Amortization of plant and equipment used directly on exploration projects is included in deferred exploration costs and is charged against operations when the related property commences production. Amortization is being provided for using the straight-line method over periods ranging from 5 to 20 years.

Mine development cost is amortized over total proven reserves. The Company will use total gold produced as its basis for amortization of these costs.

**Foreign exchange**

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Bolivar Goldfields A.V.V., which is a self-sustaining operation in a hyper-inflationary economy, is also translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in income for the year.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.....)**

The accounts of subsidiaries which are self-sustaining operations are translated using the current rate method. Under this method assets and liabilities are translated at the year end exchange rates. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in a separate component of shareholders' equity under cumulative translation adjustment.

Transaction amounts denominated in foreign currencies are translated into local functional currency at exchange rates prevailing at transaction dates.

**Marketable securities**

Marketable securities are carried at the lower of cost and market value.

**Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

**Earnings per share**

Basic earnings per share is based on the weighted average number of common shares outstanding during the period. For the three month period ended March 31, 2001 and 2000, the weighted average number of shares outstanding was 59,162,805, and 46,931,215, respectively.

Fully diluted earnings per share consider the dilutive impact of the conversion of outstanding stock options and warrants as if the events had occurred at the beginning of the year. For the three month period ended March 31, 2001 and 2000, the number of common shares outstanding during the period used to calculate fully diluted earnings per share was 78,258,005 and 56,249,136 respectively.

**Long-term investment securities**

These securities are stated at cost, unless there has been an other than temporary decline in value at which time the securities are written down and the unrealised loss is recognized in determination of net income.

**Gold loans**

Gold loans are initially recorded at the gold price received on the draw down date and are revalued at the market price of gold prevailing at each balance sheet date. The unrealized gain or loss resulting from the mark-to-market adjustment is recorded as a deferred charge and amortized over the remaining term of the loan. Gold used to repay the loan will be recorded as revenue based on the initial draw down price.

**Commodity instruments**

The Company uses derivative financial instruments including forward contracts to manage its exposure to fluctuations in the market price of gold. The instruments are intended to reduce or eliminate the risk of falling prices on the Company's future gold production. Gains and losses on forward contracts, including spot deferred contracts, are recognized in gold sales revenues when the related designated production is delivered.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.....)**

**Comparative figures**

Certain comparative figures have been adjusted to conform with the current year's presentation.

**3. NOTE RECEIVABLE**

The Company, through the acquisition of El Callao Mining Corp, acquired a note receivable and the note is non-interest bearing. The note was issued in conjunction with the acquisition of the Central Property.

**4. LONG-TERM INVESTMENT SECURITIES**

The Company's investment in long term investment securities consists of shares in a publicly listed company. These shares have been pledged.

**5. ACQUISITION**

Effective July 27, 2000, the Company acquired 100% of the outstanding share capital of Bolivar Goldfields A.V.V. The company, through its subsidiaries, is involved in mining activities and the exploration and development of mineral properties.

The acquisition has been accounted for by using the purchase method, and can be summarized as follows:

Cash and cash equivalents	\$	266,520
Accounts receivable and other assets		775,504
Production & supplies inventories		1,139,000
Property, plant and equipment		36,046,792
Accounts payable and accrued liabilities		(8,863,887)
Long-term debt		(18,847,225)
Minority interest		<u>(142,862)</u>

Consideration paid \$ 10,373,842

Consideration paid consists of:

Cash paid	\$	7,745,725
Common shares of the Company		2,345,631
Acquisition costs		<u>282,486</u>
	\$	<u>10,373,842</u>

The results of the operations of the investee have been included with those of the Company from the effective date of the acquisition.

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**5. ACQUISITION (cont'd.....)**

Effective February 27, 2001, the Company acquired approximately 80% of the outstanding share capital of El Callao Mining Corp (“ECM”) and, also from Bema Gold Corporation (“Bema”), assets related to ECM. The company, through its subsidiaries, is involved in mining activities and the exploration and development of mineral properties.

The acquisition has been accounted for by using the purchase method, and can be summarized as follows:

Cash and cash equivalents	\$ 16,681
Accounts receivable and other assets	483,099
Note receivable	2,306,630
Property, plant and equipment	22,025,446
Accounts payable and accrued liabilities	(914,013)
Minority Interest	<u>(8,818,134)</u>
Consideration paid	<u><u>\$ 15,099,709</u></u>

Consideration paid consists of:

Cash paid	\$ 6,171,239
Common shares of the Company	5,150,520
Due to Bema Gold Corporation	3,625,490
Acquisition costs	<u>152,460</u>
	<u><u>\$ 15,099,709</u></u>

The amount of \$3,625,490 (US\$2,300,000) due to Bema Gold Corporation in September, 2001 could be reduced. This final payment is based upon a formula involving the number of proven and probable ounces of gold calculated following an in-fill drilling program. The Company also has the option to make payment in cash or common shares of the Company.

**6. PROPERTY, PLANT AND EQUIPMENT**

	March 31, 2001	March 31, 2000	December 31, 2000
Plant and equipment	\$ 64,066,700	\$ 44,416,704	\$ 61,614,361
Mineral properties	103,832,501	51,078,467	81,320,110
Deferred exploration costs	<u>8,798,879</u>	<u>8,650,355</u>	<u>8,763,758</u>
	176,698,080	104,145,526	151,698,229
Less: Accumulated amortization and depletion	<u>(18,529,740)</u>	<u>(10,456,448)</u>	<u>(16,253,776)</u>
	<u><u>\$ 158,168,340</u></u>	<u><u>\$ 93,689,078</u></u>	<u><u>\$ 135,444,453</u></u>

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**6. PROPERTY, PLANT AND EQUIPMENT (cont'd.....)**

Mineral properties:

	March 31, 2001	March 31 2000	December 31, 2000
Santa Elena, San Miguel and Carabobo Concessions	\$ 3,416,576	\$ 3,416,576	\$ 3,416,576
Albino 1 Concession	17,710,939	17,710,939	17,710,939
Cristinas 4 and 6 Concessions	38,612,589	28,708,118	37,990,369
Bolivar Goldfields properties	20,963,972	-	20,959,392
El Callao Mining Corp properties	21,885,591	-	-
Mineiro Concession	724,548	724,548	724,548
Knob Hill property	518,283	518,283	518,283
Other	3	3	3
	103,832,501	51,078,467	81,320,110
Less: Accumulated depletion	(4,576,252)	(1,675,662)	(3,783,529)
	\$ 99,256,249	\$ 49,402,805	\$ 77,536,581

Deferred exploration costs:

	Albino	Santa Elena Carabobo	Mineiro	San Gregorio	March 31, 2001	March 31, 2000	December 31, 2000
Contracting	\$ 482,051	\$ 124,119	\$ -	\$ -	\$ 606,170	\$ -	\$ -
Equipment rental and expenses	540,448	74,112	-	1,469	616,029	616,029	616,029
Consulting fees	444,782	50,341	-	-	495,123	495,123	495,123
Geology and engineering	805,953	195,225	413,336	-	1,414,514	1,414,514	1,414,514
Field expenses	318,405	61,245	140,479	15,619	535,748	535,748	535,748
Samples and geochemistry	33,613	48,047	60,175	-	141,835	141,835	141,835
Travel	41,640	85,246	102,420	-	229,306	229,306	229,306
Wages	792,309	127,163	-	319,132	1,238,604	1,090,080	1,203,483
Drilling	3,347,697	-	173,853	-	3,521,550	3,521,550	3,521,550
	6,806,898	765,498	890,263	336,220	8,798,879	8,650,355	8,763,758
Less: Accumulated depletion	(644,232)	-	-	(118,616)	(762,848)	(686,570)	(745,883)
	\$ 6,162,666	\$ 765,498	\$ 890,263	\$ 217,604	\$ 8,036,031	\$ -	\$ -

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**6. PROPERTY, PLANT AND EQUIPMENT (cont'd.....)**

**Santa Elena, San Miguel and Carabobo Concessions**

The Company has an option to acquire a 100% interest in three concessions known as the Santa Elena, San Miguel and Carabobo properties, all located in Bolivar State, Venezuela. The proven and probable reserves of the properties have not yet been determined.

On July 4, 1995, the Ministry of Energy and Mines (“MEM”) gave notice to Asociacion Cooperativa Minera Mixta del Sur R.L. (“ACOMIXSUR”) in connection with its right to sell the Santa Elena 7 and 8, Carabobo and San Miguel 8 concessions to the Company. ACOMIXSUR filed a response asserting its rights with the MEM and awaits a response from the Ministry. Separately, the Company has filed a petition with the Venezuelan Supreme Court seeking confirmation of the title. Although the Company and its independent counsel are confident that all necessary procedures were followed and rules adhered to in order to ensure that such agreement was properly entered into by ACOMIXSUR and that the Company will have good title to the Santa Elena, Carabobo and San Miguel concessions, there can be no assurance that the court will not subsequently agree with the MEM notice. The exact effect of an adverse finding by the court cannot be accurately predicted, but such circumstances could result in such agreement being rescinded or re-negotiated. The Company intends to be aggressive in pursuing its right to these properties.

In addition to the above, the Company entered into a joint venture agreement with ACOMISUR, the successor cooperative to ACOMIXSUR. Under this agreement, the Company’s Venezuelan subsidiary will own eighty percent of the joint venture and ACOMISUR will own twenty percent, with the Company’s subsidiary being the operator.

**Albino 1 Concession**

By agreement with Albino Bonucci, dated December 23, 1992, the Company, through its subsidiaries, acquired a 100% interest in the Albino 1 concession in Bolivar State, Venezuela. The consideration of \$13.8 million to acquire the interest in the concession was fully paid by December 31, 1997. A 1% Net Smelter Return Royalty is payable to the MEM from the proceeds of gold production.

**Cristinas 4 and 6 Concessions**

In March 1997, the Company acquired rights to the Cristinas 4 and 6 concessions located in Kilometre 88, Venezuela. The Cristinas 4 and 6 concessions have been under investigation and exploration for several years by Placer Dome Inc. under a joint venture agreement with Corporacion Venezolana de Guayana (“CVG”). The Cristinas 4 concession is adjacent to the Company’s Albino 1 concession. The Company holds its interest in Cristinas 4 and 6 through Inversora Mael, C.A. (“Mael”), a Venezuelan company (See Note 17). The Supreme Court of Venezuela issued rulings in 1991, 1996 and 1997 confirming the validity of the transfer of the concessions to Mael. Following the 1997 ruling, Mael commenced a further action in the Supreme Court of Venezuela seeking a ruling requiring the MEM to recognize fully Mael’s title ownership of the Cristinas 4 and 6 concessions. On June 11, 1998 the Venezuelan Supreme Court ruled that Mael does not have status to assert ownership rights over Cristinas 4 and 6 concessions and refused to proceed with this action. In the opinion of counsel, prior contradictory decisions of the Venezuelan Supreme Court were not overruled by the June 11, 1998 decision.

**6. PROPERTY, PLANT AND EQUIPMENT (cont'd.....)**

In August 1999, the Company commenced two legal proceedings in Venezuela in order to enforce its rights in relation to the Cristinas 4 and 6 concessions. The first proceeding seeks to nullify the joint venture agreement previously entered into between CVG and MINCA, a Venezuelan joint venture in which Placer Dome has been a participant. In essence, this action challenges the original legal basis on which CVG purported to confer contractual rights to exploit the Cristinas 4 and 6 concessions commercially. The second proceeding seeks to nullify the effect of the settlement agreement entered into in 1991 in respect of a lawsuit between Mael, the Republic of Venezuela, CVG and Ramon Torres.

In September 1999, Venezuela published a new mining law providing that mining privileges may only be conferred by concession. MINCA has since applied to convert its contractual rights, in respect of Cristinas 4 and 6, into a concession. It is uncertain whether this application will be granted. Such application has not been published in the Official Gazette. Should it be published, the Company will be entitled to file an opposition.

In May 2000, the Supreme Court of Venezuela issued a decision in favour of an appeal filed by Mael against a previous decision issued by the Admission Chamber of the Supreme Court of Venezuela. The Supreme Court's Admission Chamber decision refused to admit the August 1999 action seeking to nullify the 1991 settlement agreement described above. Like the Venezuela Supreme Court rulings in 1991, 1996, and 1997, which confirmed Mael's legal standing regarding the Cristinas 4 and 6 concessions, the Supreme Court's decision recognizes Mael's legal standing in this matter. In its decision, the Supreme Court of Venezuela reviewed each of the arguments presented by MINCA and CVG, and ruled against each argument. By reviewing and ruling individually against each of the MINCA and CVG arguments, those parties are barred from raising and cannot again present these arguments before the Supreme Court in this lawsuit. The decision, which cannot be appealed, was approved by the majority of the justices. The only dissenting opinion was in the form of a single sentence dealing with procedural aspects of the decision, and contained nothing opposing the case filed by Mael.

In June 2000, the Admission Court of the Political-Administrative Chamber of the Supreme Court of Justice of Venezuela issued a decision which formally admits the legal claims made by Mael. As a result of the May and June decisions, Mael's case respecting the ownership of the Cristinas 4 and 6 concessions can advance to a full and final hearing on the merits before the Political-Administrative Chamber of the Supreme Court of Justice of Venezuela.

Pending resolution of these legal proceedings and determinations to be made under the new mining law, the Company has determined not to write off its investment. The costs relating to acquiring the Cristinas 4 and 6 concessions have been capitalized as part of the cost of the acquisition of the mineral property. The total cost incurred to March 31, 2001 was \$38,612,589. In the event that the Company is unsuccessful in obtaining possession of the property, these costs, and any subsequent costs incurred, will be expensed to operations in that period.

**Mineiro Concession**

By an agreement dated March 11, 1997, the Company, through its interest in Diamond Company Ltda, acquired a 65% interest on the Mineiro concession, consisting of 9,600 hectares in Amapa State, Brazil. Pursuant to the terms of the agreement, the Company paid \$366,987 and issued 100,000 common shares of the Company at a deemed value of \$355,000.



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**6. PROPERTY, PLANT AND EQUIPMENT (cont'd.....)**

**San Gregorio Mining Concession**

By an agreement dated October 2, 1998, the Company, through one of its subsidiaries, acquired a 100% interest in the San Gregorio mining concession in Uruguay. The Uruguayan government mining agency has granted the Company exploitation rights over the concession for 15 years subject to a net profit royalty.

**Bolivar Goldfields Properties**

By an agreement dated June 26, 2000, the Company acquired all the outstanding share capital of Bolivar Goldfields A.V.V. This acquisition includes the Tomi concession, Revemin mill and exploration lands in Venezuela. The exploration lands include the Dividual I and II and the Belen II concessions in the El Callao greenstone belt in Venezuela.

**El Callao Mining Corp. Properties**

By an agreement dated September 12, 2000 and concurrently with the completion of the January 25, 2001 take-over bid, the Company acquired approximately 80% of the outstanding shares of ECM and, from Bema, assets related to ECM. As a result of the acquisition, the Company now controls Lo Increible project in Venezuela.

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing, subject to the comments contained in this note 6. The properties in which the Company has committed to earn an interest are located in Uruguay, Venezuela and Brazil, South America and the Company is therefore relying on title opinion by legal counsel who are basing such opinions on the laws of Uruguay, Venezuela and Brazil.

**7. DEFERRED FINANCING FEES**

Deferred financing fees of \$517,330 (net of accumulated amortization of \$Nil) at March 31, 2001 relate to costs incurred in the issuance of the convertible notes financing and for a credit facility to restructure its existing bank debt.

**8. RECLAMATION PROVISION**

Costs relating to ongoing site restoration are expensed when incurred. The Company's estimate of its ultimate reclamation liability may vary from current estimates due to possible changes in laws and regulations and changes in costs estimated. The Company will accrue additional liabilities for further reclamation costs as and when evidence becomes available indicating that its reclamation liability has changed.

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**9. LONG-TERM DEBT**

	March 31, 2001	March 31 2000	December 31, 2000
Gold loan	\$ -	\$ 20,146,018	\$ 18,178,673
Bank loan	31,422,451	923,369	13,682,938
Convertible notes	<u>2,878,027</u>	<u>-</u>	<u>1,282,297</u>
	34,300,478	21,059,387	33,143,908
Less: Current portion of the long-term debt	<u>(472,891)</u>	<u>(4,920,120)</u>	<u>(487,338)</u>
	<u>\$ 33,827,587</u>	<u>\$ 16,139,267</u>	<u>\$ 32,656,570</u>

**Gold loan**

During 1998, the Company, through a subsidiary had entered into a non-recourse five-year bank credit facility of \$24,532,800 or equivalent ounces of gold. The facility bears interest at the LIBOR for United States dollar-denominated loans or the gold base rate for gold ounce-denominated loans plus an applicable margin, negotiated between both parties. The Company has the ability to repay the loan in either United States dollars, gold, or common shares of the Company. During the period, the loan was converted into a dollar denominated loan.

The loan agreement contains certain financial and other covenants that must be maintained during the term of the loan. Assets of certain of the subsidiary companies have been pledged as collateral.

**Bank loan**

During 1998, Minera San Gregorio S.A. entered into a four-year loan agreement. The loan bears interest at the London Inter-Bank Offered Rate (LIBOR) plus an applicable margin, negotiated between both parties. Certain equipment is secured against the loan.

During 2000, Mineras Bonanza C.A. entered into a two-year bank loan facility of \$12,779,750. The facility bears interest at the LIBOR plus an applicable margin. The bank loan is secured by first mortgages over all the land, buildings and chattel of Mineras Bonanza, C.A. and Revemin II, C.A.

During 2000, the Company made arrangements for a two part non-recourse credit facility totalling US\$60 million to restructure its existing bank debt and fund the continued growth of the Company. The credit facility is subject to the execution of definitive loan agreements, syndication by the lender, and technical and legal due diligence. The arrangement includes, a US\$35 million term loan that refinances existing debt incurred in the acquisition of Minera San Gregorio in Uruguay and the assets of Bolivar Goldfields, A.V.V. in Venezuela. The term loan matures in 2008 and requires payment only of the interest until July 15, 2002 when the first amortization payment of US\$1.5 million will be made. The loan agreement contains certain financial and other covenants that must be maintained during the term of the loan. Assets of certain of the subsidiary companies have been pledged as collateral.

**Convertible notes**

The notes mature on April 26, 2003 and are convertible into common shares of the Company at a discount to the market price at the time of conversion. Interest is payable quarterly at a rate of 7% and 10% per annum. As at March 31, 2001, \$2,878,027

(March 31, 1999 - \$Nil) remains outstanding.

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**10. LOAN PAYABLE**

The loan is repayable upon demand. Interest is payable monthly at a rate of prime plus 1%. The long-term investment securities (Note 4) are pledged as security against the loan.

**11. OPTIONS AND WARRANTS**

At March 31, 2001, warrants were outstanding enabling the holders to acquire the following number of common shares:

Number of Shares	Price	Range of Expiry Dates
120,000	US\$1.65	02-11-2002
1,000,000	US\$2.00	03-05-2002
111,940	US\$1.63	03-06-2002
333,333	US\$1.00	03-31-2002 to 03-31-2003
333,333	US\$1.35	03-31-2002 to 03-31-2003
77,220	US\$2.47	04-04-2002
960,443	US\$0.99	04-13-2002
1,685,647	US\$2.84	04-26-2002
41,122	US\$2.84	04-26-2002
1,038,750	\$2.75	09-08-2002
218,056	US\$1.01	03-06-2003
190,000	US\$1.09	03-20-2003
377,213	US\$1.02	03-29-2003
150,000	US\$1.25	08-02-2004

The Company follows the policies of the TSE under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 5% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the closing price of the Company's stock on the trading day immediately preceding the date of the grant.

The following is a summary of the status of stock options outstanding at March 31, 2001:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Of Shares	Weighted Average Exercise Price
\$0.85 to \$1.00	2,078,500	5.31	\$ 0.98	2,078,500	\$ 0.98
\$1.41 to \$1.50	2,466,000	6.13	\$ 1.51	2,466,000	\$ 1.51
\$2.00 to \$2.65	1,677,500	7.37	\$ 2.21	1,677,500	\$ 2.21

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**12. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Except as set out below, these financial statements also comply, in all material respects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission.

**(1) Stock Based Compensation**

The United States Financial Accounting Standards Board (“FASB”) has issued Statement of Financial Accounting Standards (“SFAS”) No. 123, "Accounting for Stock Based Compensation", which became effective for fiscal years beginning after December 15, 1995. This statement requires the Company to establish a fair market value based method of accounting for stock based compensation plans. In 1996, for United States reporting purposes, the Company adopted SFAS No. 123 in accounting for its stock option plan. Canadian generally accepted accounting principles do not require the reporting of any stock based compensation expense in the Company's financial statements.

The Company uses the Black Scholes Option Pricing Model to determine the fair value of employee stock options at the issuance date. In determining the fair value of these employee stock options, the following assumptions were used:

	2001	2000
Risk free interest rate	- %	6.54 %
Expected life	2 year	2 years
Expected volatility	- %	81 %
Expected dividends	-	-

The application of SFAS 123 resulted in the reporting of compensation expenses in the amount of \$Nil and \$126,550 for the three month ended March 31, 2001 and 2000 respectively.

Following is a summary of the stock based compensation plan during the three month period ended March 31, 2001 and 2000:

	March 31, 2001		March 31, 2000	
	Number Of shares	Weighted Average Exercise Price	Number of shares	Weighted Average Exercise Price
Outstanding and exercisable, beginning of period	6,315,292	\$ 1.52	6,585,000	\$ 1.15
Granted	-	-	110,000	2.30
Exercised	(10,000)	1.00	(859,500)	1.02
Cancelled	(83,292)	1.40	-	-
Outstanding and exercisable, end of the period	<u>6,222,000</u>	<u>\$ 1.53</u>	<u>5,835,500</u>	<u>\$ 1.19</u>
Weighted average fair value options granted during				

the period

\$ -

\$ 1.64

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**12. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd.....)**

**(2) Earnings (loss) Per Share**

Under both Canadian and United States generally accepted accounting principles, basic earnings (loss) per share is computed by dividing the earnings (loss) to common shareholders by the weighted average number of shares outstanding during the year. For Canadian reporting purposes fully diluted earnings per share is calculated under the assumption that all convertible notes were converted at the date issued and stock options and warrants exercised at the date of grant. For United States reporting purposes, in February 1997, the FASB issued SFAS No. 128 "Earnings per share". Under SFAS 128, diluted earnings per share takes into consideration the weighted average number of shares outstanding during the year and potentially dilutive common shares.

Under United States generally accepted accounting principles, the weighted average number of common shares outstanding excludes any shares that remain in escrow, but may be earned out based on the Company incurring a certain amount of exploration and development expenditures.

The weighted average number of common shares outstanding for calculating basic earnings (loss) per share under United States generally accepted accounting principles for the three month period ended March 31, 2001 and 2000 were 59,162,805 and 46,931,215 respectively. The calculation of diluted earnings per share for the three month period ended March 31, 2001 and 2000 proved to be anti-dilutive.

**(3) Mineral Properties and Deferred Exploration Costs**

Under Canadian generally accepted accounting principles, the mineral properties, including prospecting and acquisition costs, are carried at cost and written down if the properties are abandoned, sold or if management decides not to pursue the properties. Under United States generally accepted accounting principles, exploration and prospecting costs are charged to expense as incurred, as are development costs for projects not yet determined by management to be commercially feasible. Expenditures for mine development are capitalized when the properties are determined to have economically recoverable proven reserves but are not yet producing at a commercial level. Prior to commencing commercial production, revenue relating to development ore, net of mining costs associated with its production, is offset against mine development costs. Mine development costs incurred to access reserves on producing mines are also capitalized. Capitalization of all exploration, development, and acquisition costs, commences once the Company identifies proven and probable reserves that relate to specific properties.

Mining projects and properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property and its eventual disposition are less than the carrying amount of the mining project or property, an impairment is recognized based upon the estimated fair value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project or property, calculated using estimates of proven and probable mineable reserves, future prices, operating costs, capital requirements and reclamation costs.

**12. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd.....)**

**(4) Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of**

For United States reporting purposes, the Company has adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of". In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized. Management's estimates of gold prices, recoverable proven and probable reserves, operating capital, and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of the Company's investment in property, plant, and equipment. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect management's estimate of the net cash flow expected to be generated from its operations.

The Santa Elena, San Miguel and Carabobo, Cristinas 4 and 6 and Knob Hill properties, which have a total capitalized cost of \$43,312,949 for Canadian reporting purposes, have been written down for US reporting purposes, as they have no determinable proven or probable reserves. As a result of a study of gold reserves of its mineral properties, the Company has recorded a \$622,220 (March 31, 2000 - \$3,361,339) write-down of its investment in mineral properties for United States reporting purposes. Since the fair value of the Albino 1, Mineiro properties and Bolivar Goldfields properties exceed their capitalized cost, there has been no adjustment to the cost of these properties. The estimated fair value of the properties would vary if future conditions do not occur in accordance with assumptions.

**(5) Marketable Securities**

In May 1993, the FASB issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which became effective for years beginning after December 31, 1993. The statement requires that certain investments be classified into available-for-sale or trading securities stated at fair market values. Any unrealized holding gains or losses are to be reported as a separate component of shareholders' equity until realized for available-for-sale securities, and included in earnings for trading securities. Under SFAS 115, the Company's investment in marketable securities in the amount of \$227,901 would be classified as trading securities and its investment in long-term investment securities in the amount of \$2,643,338 would be classified as available for sale securities.

**(6) Accounting for Derivative Instruments and Hedging Activities**

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS 137 to defer the effective date of SFAS 133 to fiscal quarters of fiscal years beginning after June 15, 1999. In June 2000, the FASB issued SFAS No. 138, which is a significant amendment to SFAS 133. The Company does not anticipate that the adoption of these statements will have a significant impact on its financial statements.



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**12. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd.....)**

**(7) Comprehensive income**

In June 1997, the FASB issued SFAS No. 130 "Reporting Comprehensive Income". SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components (revenue, expenses, gains and losses). The purpose of reporting comprehensive income is to present a measure of all changes in shareholders' equity that result from recognized transactions and other economic events of the year, other than transactions with owners in their capacity as owners. SFAS No. 130 is effective for financial statements issued for periods beginning after December 15, 1997.

The Company adopted SFAS No. 130 for the year ended December 31, 1998. Total comprehensive loss for the three month period ended March 31, 2001 and 2000 was \$1,603,942 and \$2,523,257, respectively. The only items included in other comprehensive loss are foreign currency translation adjustments in the amounts of \$1,406,683 and \$238,822 for the three month period ended March 31, 2001 and 2000, respectively.

**(8) Concentration of Credit Risk**

The Company is exposed to credit losses in the event of non-performance by the counterparties to the financial instruments, but does not expect any counterparties to fail to meet their obligations. The Company generally does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standing of counterparties.

The impact of the above differences between Canadian and United States generally accepted accounting principles on the consolidated balance sheet items as reported, is as follows:

	March 31, 2000		March 31, 2000		December 31, 2000	
	Balance as Reported	Balance as per United States Reporting Requirements	Balance as Reported	Balance as per United States Reporting Requirements	Balance as Reported	Balance as per United States Reporting Requirements
Current assets	\$ 19,975,178	\$ 19,975,178	\$ 23,065,739	\$ 23,065,739	\$ 21,043,385	\$ 21,043,385
Security deposits	262,559	262,559	189,886	189,886	255,131	255,131
Note receivable	2,306,630	2,306,630	-	-	-	-
Long-term investment						
Securities	2,643,338	2,643,338	-	-	2,643,338	1,304,000
Property, plant and equipment	158,168,340	157,402,842	93,689,078	92,923,580	135,444,453	134,678,955
Deferred financing fee	517,330	517,330	-	-	101,453	101,453
Deferred acquisition cost	-	-	-	-	4,598,639	4,598,639
Allowance for write-down of mineral properties	-	(42,547,451)	-	(32,642,980)	-	(41,925,231)
	<u>\$ 183,873,375</u>	<u>\$ 140,560,426</u>	<u>\$ 116,944,703</u>	<u>\$ 83,536,225</u>	<u>\$ 164,086,399</u>	<u>\$ 120,056,332</u>
Current liabilities	\$ 18,759,554	\$ 18,759,554	\$ 12,881,187	\$ 12,881,187	\$ 18,091,457	\$ 18,091,457
Reclamation provision	1,634,185	1,634,185	1,165,965	1,165,965	1,485,301	1,485,301
Long-term debts	33,827,587	33,827,587	16,139,267	16,139,267	32,656,570	32,656,570
Deferred charges	843,791	843,791	942,531	942,531	797,127	797,127
Minority interest	8,961,107	8,961,107	-	-	142,886	142,886
Shareholders' equity	<u>119,847,151</u>	<u>76,534,202</u>	<u>85,815,753</u>	<u>52,407,275</u>	<u>110,913,058</u>	<u>66,882,991</u>
	<u>\$ 183,873,375</u>	<u>\$ 140,560,426</u>	<u>\$ 116,944,703</u>	<u>\$ 83,536,225</u>	<u>\$ 164,086,399</u>	<u>\$ 120,056,332</u>

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**12. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd.....)**

The impact of the differences between Canadian and United States generally accepted accounting principles on mineral properties and deferred exploration costs of those properties with unproven and those with proven and probable reserves is as follows:

	March 31, 2001		March 31, 2000		December 31, 2000	
	Balance as Reported	Balance as per United States Reporting Requirements	Balance as Reported	Balance as per United States Reporting Requirements	Balance as Reported	Balance as per United States Reporting Requirements
<b>Mineral Properties with Unproven Reserves</b>						
Santa Elena/Carabobo	\$ 3,416,576	\$ 3,416,576	\$ 3,416,576	\$ 3,416,576	\$ 3,416,576	\$ 3,416,576
Las Cristinas 4 and 6	38,612,589	38,612,589	28,708,118	28,708,118	37,990,369	37,990,369
Knob Hill	518,283	518,283	518,283	518,283	518,283	518,283
Other	3	3	3	3	3	3
	42,547,451	42,547,451	32,642,980	32,642,980	41,925,231	41,925,231
Less: allowance for write-down of mineral properties	-	(42,547,451)	-	(32,642,980)	-	(41,925,231)
	42,547,451	-	32,642,980	-	41,925,231	-
<b>Mineral Properties with Proven and Probable Reserves</b>						
Albino 1	17,710,939	17,710,939	17,710,939	17,710,939	17,710,939	17,710,939
Bolivar Goldfields	20,963,972	20,963,972	-	-	20,959,392	20,959,392
El Callao Mining Corp. Mineiro	21,885,591	21,885,591	-	-	-	-
	724,548	724,548	724,548	724,548	724,548	724,548
	61,285,050	61,285,050	18,435,487	18,435,487	39,394,879	39,394,879
Accumulated depletion	(4,576,252)	(4,576,252)	(1,675,662)	(1,675,662)	(3,783,529)	(3,783,529)
	56,708,798	56,708,798	16,759,825	16,759,825	35,611,350	35,611,350
Total capitalized cost	\$ 99,256,249	\$ 56,708,798	\$ 49,402,805	\$ 16,759,825	\$ 77,536,581	\$ 35,611,350
<b>Deferred Exploration Costs With Unproven Reserves</b>						
Santa Elena/Carabobo	\$ 765,498	\$ -	\$ 765,498	\$ -	\$ 765,498	\$ -
<b>Deferred Exploration Costs With Proven and Probable Reserves</b>						
Albino 1	6,806,898	6,806,898	6,806,898	6,806,898	6,806,898	6,806,898
Mineiro	890,263	890,263	890,263	890,263	890,263	890,263
San Gregorio	336,220	336,220	187,696	187,696	301,099	301,099
	8,033,381	8,033,381	7,884,857	7,884,857	7,998,260	7,998,260
Accumulated depletion	(762,848)	(762,848)	(686,570)	(686,570)	(745,883)	(745,883)
	7,270,533	7,270,533	7,198,287	7,198,287	7,252,377	7,252,377
Total capitalized cost	\$ 8,036,031	\$ 7,270,553	\$ 7,963,785	\$ 7,198,287	\$ 8,017,875	\$ 7,252,377

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**12. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd.....)**

The impact of the above differences between Canadian and United States generally accepted accounting principles on the income (loss) for the period would be as follows:

	Three Month Period Ended March 31, 2001	Three Month Period Ended March 31, 2000
Income for the period, as reported	\$ 424,961	\$ 1,203,454
Less: Compensation expense on granting of stock options	-	(126,550)
Amounts written-down for mineral property acquisitions	<u>(622,220)</u>	<u>(3,361,339)</u>
Loss for the year in accordance with United States generally accepted accounting principles	<u>\$ (197,259)</u>	<u>\$ (2,284,435)</u>
Loss per share in accordance with United States generally accepted accounting principles	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>

**13. RELATED PARTY TRANSACTIONS**

During the year, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting and management fees of \$82,500 (March 31, 2000 - \$82,500) to directors of the Company and companies related to directors and an officer of the Company.
- b) Paid or accrued legal fees of \$189,582 (March 31, 2000 - \$16,940) to a company related to a director of the Company.

**14. INCOME TAXES**

The Company has non-capital losses, which may be carried forward and applied against taxable income in future years. These losses expire during the following years:

2001	\$ 12,035,472
2002	13,355,097
2003	25,496,643
2004	5,221,043
2005	3,816,819
2006	926,839
2007	<u>6,296</u>
	<u>\$ 60,858,209</u>

**CRYSTALLEX INTERNATIONAL CORPORATION**  
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**15. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	Three Month Period Ended March 31, 2001	Three Month Period Ended March 31, 2000
Cash paid during the period for interest	\$ 553,177	\$ 368,612
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions for the three month period ended March 31, 2001 included:

- i) The Company issued 41,142 common shares, with a deemed value of \$50,193, for management fees.
- ii) The Company issued 450,000 common shares, with a deemed value of \$531,000, for legal fees.
- iii) The Company issued 3,987,535 common shares, with a deemed value of \$5,150,520 to acquire El Callao Mining Corp.
- iv) The Company issued 1,404,622 common shares upon conversion of convertible notes and accrued interest in the amount of \$1,372,996.
- v) The Company applied \$101,453 of the deferred financing fees against share capital upon conversion of notes to common stock.
- vi) The Company issued 1,025,000 common shares for private placement in the amount of \$1,955,644.
- vii) The Company issued 67,059 common shares, with a deemed value of \$89,189, for broker fees.

Significant non-cash transactions for the three month period ended March 31, 2000 included:

- i) The Company issued 14,768 common shares, with a deemed value of \$34,557, for management fees.
- ii) The Company issued 1,934,010 common shares, with a deemed value of \$3,318,864 for the Cristinas 4 and 6 property payment.
- iii) The Company issued 446,284 common shares upon conversion of convertible notes and accrued interest in the amount of \$874,647.
- iv) The Company applied \$100,247 of the deferred financing fees against share capital upon conversion of notes to common stock.

**16. SEGMENTED INFORMATION**

The Company operates principally in four geographic areas: Brazil, Canada, Uruguay and Venezuela. The following is a summary of the information by area for the three month period ended March 31, 2001 and 2000:

**Industry segments**

Substantially all of the Company's operations are within the mining sector. The Company's major product is gold produced from operations located in Venezuela and Uruguay.

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**16. SEGMENTED INFORMATION (cont'd.....)**

**Geographic segments**

	Three Month Period Ended March 31, 2001	Three Month Period Ended March 31, 2000
Operating revenue:		
Brazil	\$ -	\$ -
Canada	-	-
Uruguay	11,200,549	7,950,378
Venezuela	<u>3,655,025</u>	<u>-</u>
	<u>\$ 14,855,574</u>	<u>\$ 7,950,378</u>
Income (loss) before other items:		
Brazil	\$ (186)	\$ (205)
Canada	(1,102,585)	(766,213)
Uruguay	2,421,828	1,031,538
Venezuela	<u>99,818</u>	<u>(141,990)</u>
	<u>\$ 1,418,875</u>	<u>\$ 123,130</u>

Income (loss) before other items is comprised of operating revenue less operating expenses including amortization and depletion, write-down of assets, general and administrative expenses and exploration expenses.

	March 31, 2001	March 31, 2000	December 31, 2000
Identifiable assets:			
Brazil	\$ 1,616,911	\$ 1,617,673	\$ 1,617,099
Canada	6,521,867	4,574,628	5,027,547
Uruguay	45,921,736	50,189,568	46,474,263
Venezuela	<u>129,812,861</u>	<u>60,562,834</u>	<u>110,967,490</u>
	<u>\$ 183,873,375</u>	<u>\$ 116,944,703</u>	<u>\$ 164,086,399</u>

**Major customers**

The Company is not economically dependent on a limited number of customers for the sale of its products because gold commodity markets are well established worldwide. During the three month period ended March 31, 2001 and 2000 open market gold sales accounted for \$11,200,549 and \$7,950,378 or 75% and 100%, respectively of the total sales. The Government of Venezuela accounted for the balance.

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**17. COMMITMENTS**

**Agreement**

The Company entered into an agreement ("Call Agreement") whereby it acquired an exclusive call right to acquire all of the common shares of Ventures (Barbados) Ltd. ("Ventures"). Ventures indirectly owns, as its sole material asset, the outstanding shares of Inversora Mael, C.A. ("Mael"). The directors of Ventures have granted the Company an exclusive right to acquire all of the shares of Ventures at their cost at any time. Therefore, the accounting for this transaction when it does take place will be at the cost to the Company which is equal to the directors cost, resulting in no capital distribution by the Company to the directors.

The directors' cost of acquiring the shares of Mael was US\$30 million, of which US\$6.5 million was paid as of December 31, 1998. Effective April 30, 1999, Ventures and Red Glove Corp. A.V.V. agreed to reduce the remaining portion of the purchase price from US\$23.5 million to US\$10 million plus 5 million warrants to purchase common shares of the Company at a price of US\$2 per share. As at September 30, 2000, the US\$10 million was fully paid through the issuance of common shares of the Company and US\$250,000 in cash.

The call right is irrevocable and unconditional, unless prior to its exercise a person together with any parties acting jointly or in concert with it acquires 20% or more of the outstanding voting shares of the Company without the approval of the Board of Directors. In such event, the call right will be terminated and Ventures and its shareholders will be required to dispose of the investment in Mael in a commercially reasonable manner with a view to maximizing the proceeds of such disposition. The net proceeds of disposition, whether represented by cash or securities, would be distributed after payment of liabilities to those persons who were shareholders of the Company immediately prior to the 20% ownership threshold being surpassed. Under the Call Agreement, the Company has the right to vote the shares of Ventures (See Note 6, Cristinas 4 and 6 concessions).

**Hedging**

The Company has entered into contractual agreements with major financial institutions to deliver gold. Realization under these agreements is dependent upon the ability of those financial institutions to perform in accordance with the terms of these agreements. As at March 31, 2001, the Company's consolidated hedging program consists of fixed forward sales contracts totalling 208,157 ounces of gold over the next four years at prices in excess of US\$300 per ounce.

The fair value of all the Company's hedge position at March 31, 2001 is \$7,476,897 (March 31, 2000 - \$9,215,251) above the carrying value of \$Nil.

**18. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, security deposits, long-term investment securities, accounts payable and accrued liabilities, amounts due to/from related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

At March 31, 2001 and 2000, the fair values of cash and cash equivalents, accounts receivable, marketable securities, security deposits, accounts payable, and amounts due to/from related parties approximated carrying values because of the short-term nature of these instruments, except for the fair values of the hedging contracts disclosed in Note 17.

**CRYSTALLEX INTERNATIONAL CORPORATION  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2001**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULT OF OPERATIONS**

**RESULTS OF OPERATIONS**

For the three month period ended March 31, 2001, the Company reported net income of \$0.42 million, or \$0.01 per share, compared to net income of \$1.2 million, or \$0.03 per share in 2000. The operating cash flow was \$2.1 million, or \$0.04 per share compared to cash flow of \$3.1 million, or \$0.07 per share, in 2000.

Several factors contributed to the variation in net income. They included increased operating expenses at San Gregorio due to the increased depth of the pit and foreign currency translation losses.

Revenue from gold sales of \$14.9 million in 2001 was up from \$8.0 million in 2000. The higher revenue in 2001 reflects the additional production associated with the acquisition of Bolivar Goldfields A.V.V. ("Bolivar"), which the Company completed during the third quarter of 2000. The Company's operating costs were \$3.5 million in 2001 compared with \$1.7 million in 2000.

Expenses in 2001 were higher at \$2.1 million compared with \$1.6 million in 2000. Interest on long-term debt increased to \$622,596 from \$370,878 in 2000, due to the increased loan associated with the acquisition of Bolivar.

**LIQUIDITY AND CAPITAL RESOURCES**

**Operating Activities**

The cash provided by operating activities was \$2.1 million in 2001 compared with \$3.1 million in 2000. The 2001 cash flow from operating activities was used to finance capital expenditures and service existing debt.

**Investing Activities**

During the period, the Company completed the take-over bid of El Callao Mining Corp. ("ECM"), acquiring approximately 80% of the outstanding common shares of ECM and, from Bema Gold Corporation, assets related to ECM. As a result of the acquisition, the Company now controls the Lo Increible project in Venezuela.

**Financing Activities**

Financing activities generated \$2.2 million in 2001, representing the proceeds from debt draw downs and stock options exercised during the quarter.

Consolidated cash and cash equivalents remain at \$4.4 million in March 31, 2001 as compared to December 31, 2000. Depending upon the Company's acquisition, capital expenditure, and corporate development plans, the Company may raise additional funds through the use of non-recourse project finance loans, lines of credit, or the sale of the Company's securities.

**Regulatory and Environment Risks:**

The Company takes care to maintain compliance with the regulations prevalent in the countries within which it has activities (currently Uruguay, Venezuela and Brazil). Concern for the environment has spawned several regulations with regard to mining in various countries. The Company believes that its environmental programs, developed internally in conjunction with local advisers, not only complies with but in some cases exceeds prevailing

regulations. Costs relating to ongoing site restoration are expensed when incurred. The Company's estimate of its ultimate reclamation liability may vary from current estimates due to possible changes in laws and regulations and changes in costs estimated. The Company will accrue additional liabilities for further reclamation costs as and when evidence becomes available indicating that its reclamation liability has changed.