

**AUR RESOURCES INC.**

**ANNUAL INFORMATION FORM**

**February 28, 2001**

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### Disclosure Regarding Forward-Looking Statements

Certain of the statements that are not historical facts contained in this Annual Information Form ("AIF") (and the other disclosure documentation of Aur Resources Inc. ("Aur") such as its annual and quarterly reporting to shareholders) are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Such forward-looking statements include, among other things, statements regarding targets or estimates for copper production, cash operating costs and capital expenditures, increases and decreases in production, reserves and/or resources and in anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to under "Business of the Company - Risk Factors and Governmental Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein and include unanticipated and/or unusual events. Many of such factors are beyond Aur's ability to control or predict.

Actual results may differ materially from those anticipated. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Aur disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

## **National Instrument 43-101 – Standards of Disclosure for Mineral Projects**

National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“43-101”) issued by the Canadian Securities Administrators requires, among other things, that issuers ensure that all written disclosure of a scientific or technical nature, other than a news release, concerning a mineral project on a property material to the issuer identifies and discloses the relationship to the issuer of the qualified person who prepared or supervised the preparation of the technical report or other information that forms the basis for the written disclosure. A “qualified person” for purposes of 43-101 means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a professional association.

### **Exchange Rates Table and Data**

**Dollar amounts set forth in this AIF are, except as indicated, stated in United States dollars.** The following table sets forth for each period indicated the period-end exchange rates, the average exchange rates and the high and low exchange rates for Canadian dollars. These rates are the noon buying rates in New York City for the purchase of one United States dollar with Canadian dollars.

|                | Year ended December 31, |             |             |
|----------------|-------------------------|-------------|-------------|
|                | <u>2000</u>             | <u>1999</u> | <u>1998</u> |
| Year end ..... | 1.4995                  | 1.4433      | 1.5305      |
| Average .....  | 1.4854                  | 1.4857      | 1.4835      |
| High.....      | 1.5593                  | 1.5298      | 1.5765      |
| Low .....      | 1.4341                  | 1.4433      | 1.4075      |

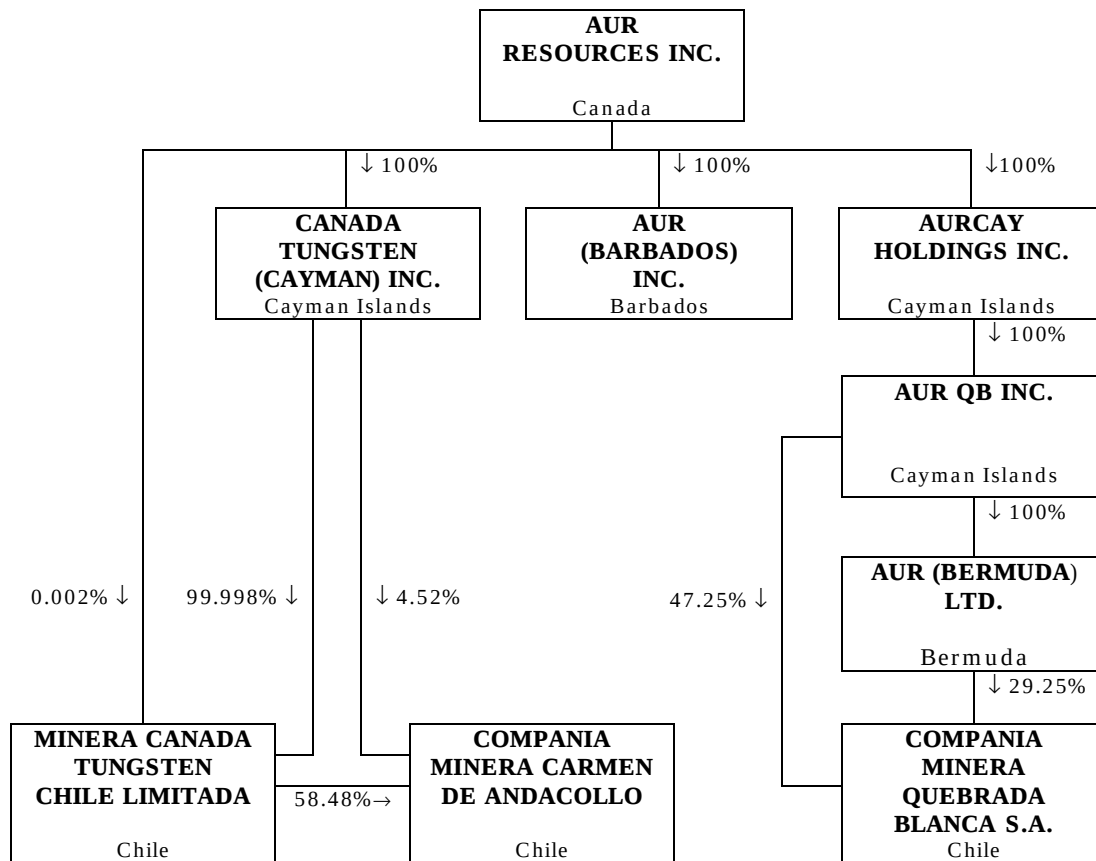
On February 28, 2001, the noon buying rate was US\$1.00/Cdn.\$1.5316.

## THE COMPANY

Aur is a Canadian company active in the acquisition, exploration, development and mining of mineral properties. Its principal assets consist of its 76.5% shareholding interest in the Quebrada Blanca copper mine in Chile acquired in November, 2000, its 63% shareholding interest in the Andacollo copper mine in Chile, its 30% interest in the Louvicourt copper-zinc-silver-gold mine in Québec and its portfolio of exploration properties located principally in northwestern Québec, central Manitoba and Saskatchewan and Chile.

Aur was incorporated under the Canada Business Corporations Act (the “CBCA”) by articles of incorporation on September 14, 1981. By articles of amendment dated March 28, 1983, June 17, 1985, April 21, 1990 and April 24, 1991, the articles of Aur were amended to, among other things, create Aur's current capitalization. In 1985, Aur merged with Brominco Inc., then a 57% owned subsidiary of Aur. On January 1, 1997, Aur merged with 46.2% owned Canada Tungsten Inc. pursuant to a plan of arrangement carried out under the CBCA.

The following chart describes the intercorporate relationships amongst Aur and its material subsidiaries as of December 31, 2000, including the percentage of voting securities of the subsidiary owned by Aur and the jurisdiction of the subsidiary:



Unless the context otherwise requires, references herein to “Aur” may include, collectively or individually, one or more of the direct or indirect subsidiaries of Aur.

Aur's executive and registered office is located at Suite 2501, 1 Adelaide Street East, Toronto, Ontario, M5C 2V9 (telephone: (416) 362-2614; fax: (416) 367-0427; e-mail: info@aurresources.com; website: www.aurresources.com).

As at December 31, 2000, Aur's staff consisted of approximately 1,160 people.

## **BUSINESS OF THE COMPANY**

### **Louvicourt Mine**

#### *Ownership Interests*

The operation of the Louvicourt mine is governed by a joint venture agreement between Aur, Teck Corporation ("Teck") and Novicourt Inc. ("Novicourt"), a subsidiary of Noranda Inc. ("Noranda"). Aur holds a 30% interest in the joint venture, with Teck and Novicourt holding 25% and 45% interests therein, respectively. Aur is the operator of the joint venture.

#### *Property Interests and Location*

The Louvicourt property consists of an 1,800 metre by 1,900 metre area (845 acres) held under various mining leases and mining claims, including a surface lease covering a tailings disposal facility.

The property is located in Louvicourt Township approximately 24 kilometres east of the city of Val d'Or, Québec and is accessed by road off Provincial Highway #117. A 3 km railway spur line connects the operation to the CN railway for the loading and unloading of supplies and the shipment of copper and zinc concentrates.

#### *Geology*

The Louvicourt deposit, which was discovered by Aur in 1989, lies within a 1.5 kilometre wide unit of felsic volcanic rocks of the Val d'Or Formation that host numerous copper-zinc massive sulphide occurrences. The property includes the Louvicourt copper-zinc-silver-gold deposit, the up and down dip projection of such deposit and an area along strike both to the east and west of the deposit.

The Louvicourt deposit has a strike length of approximately 350 metres, a dip of 68°-85° and is comprised of a number of folded sulphide zones. These zones have individual thicknesses ranging from 3.0 to 90 metres. It is believed that the sulphide zones represent sulphides deposited on one or two stratigraphic horizons which have subsequently been folded to yield a series of semi-massive to massive sulphide zones accompanied by zones of stringer chalcopyrite and/or disseminated chalcopyrite and pyrite mineralization. The massive sulphide zones consist primarily of pyrite, chalcopyrite and sphalerite with variable amounts of non-sulphide material.

#### *Mineral Reserves and Mineral Resources*

The following table presents the mineral reserves and resources at the Louvicourt mine as estimated by Aur as at December 31, 2000:

## Mineral Reserves

|                | <u>t (000's)</u> | <u>Cu (%)</u> | <u>Zn (%)</u> | <u>Ag (g/t)</u> | <u>Au (g/t)</u> |
|----------------|------------------|---------------|---------------|-----------------|-----------------|
| Proven         | 5,408            | 3.21          | 1.78          | 26.8            | 0.90            |
| Probable       | <u>204</u>       | <u>2.27</u>   | <u>0.55</u>   | <u>17.9</u>     | <u>0.45</u>     |
| Total Reserves | 5,613            | 3.18          | 1.73          | 26.5            | 0.88            |

## Mineral Resources (including Reserves)

|                 | <u>t (000's)</u> | <u>Cu (%)</u> | <u>Zn (%)</u> | <u>Ag (g/t)</u> | <u>Au (g/t)</u> |
|-----------------|------------------|---------------|---------------|-----------------|-----------------|
| Measured        | 6,466            | 3.88          | 1.82          | 29.2            | 0.92            |
| Indicated       | <u>660</u>       | <u>2.97</u>   | <u>2.32</u>   | <u>33.1</u>     | <u>0.87</u>     |
| Total Resources | 7,126            | 3.80          | 1.87          | 29.6            | 0.92            |
| Inferred        | 432              | 1.90          | 3.03          | 39.0            | 0.78            |

### Notes:

"t (000's)" means thousands of tonnes; "g/t" means grams per tonne; "Cu" means copper; "Zn" means zinc; "Ag" means silver; "Au" means gold.

The Louvicourt reserve and resource estimates have been prepared and classified in accordance with the standards established under 43-101. The qualified persons responsible for direct supervision of the estimates are Bernard Salmon, P.Eng., Chief Geologist, Louvicourt Mine, as to the resource estimate and Denis Fleury, P.Eng., Chief Engineer, Louvicourt Mine, as to the reserve estimate. The proven and probable reserves represent those parts of the measured and indicated resources, respectively, that are economically viable after allowing for waste rock dilution, for extraction losses and for historic mine-mill grade adjustment factors. It is unlikely that a material portion of the measured and indicated resources that are not currently classified as reserves can be upgraded to reserves.

The reserve calculations incorporate a copper price of \$0.95/lb. (\$0.85/lb. for material scheduled to be mined in 2001), a zinc price of \$0.55/lb., a silver price of \$5.00/oz., a gold price of \$275/oz. and a net smelter return cut-off of \$24.50.

The resources are stated at a 2% copper equivalent ("CuEq") cut-off grade. The CuEq grades applied to byproduct metals are: 0.33%CuEq for 1% Zn, 0.006%CuEq for 1g/tonne Ag and 0.42%CuEq for 1g/tonne Au. The resource classification is based on block model sample density measured by the number of sample points within a 35 metre spherical radius of a block center. Measured, indicated and inferred resources are composed of blocks with sample densities of 40 or more samples, 20-39 samples and 1-19 samples, respectively.

Resources that do not qualify as reserves do not have demonstrated economic viability.

## Mineralogy

The Louvicourt deposit consists of massive, stringer and disseminated sulphides of copper (chalcopyrite), zinc (sphalerite) and iron (pyrite) with associated economically significant gold and silver mineralization.

The copper and zinc sulphides are relatively coarse grained and can be readily concentrated to saleable concentrates using standard flotation circuits. The gold and silver report to the copper concentrates and provide significant precious metal revenues to the mine after smelting. The concentrates have no impurities which currently cause smelter penalties to be incurred.

### *Underground and Surface Facilities*

Access to the deposit is provided via a circular concrete lined shaft sunk to a depth of 945 metres in the footwall of the deposit. Lateral development is generally 4.9 metres wide and 4.3 metres high. An internal ramp connects all underground levels between the 475 and 860 metre levels. A twin ore pass system gravity-feeds ore into a primary crusher located on the 900 metre level which feeds to a 3,500 tonne storage bin for hoisting to surface. Mine equipment is trackless utilizing diesel and electrical power. Paste backfill is utilized to provide ground support and to reduce the volume of tailings required to be stored in the surface tailings facility.

Mining and milling operations are currently conducted on a 7 days-per-week basis.

Surface facilities at the Louvicourt minesite principally consist of a concentrator to produce concentrate for smelting and refining, a headframe and hoisthouse, an automated ventilation fan, a paste backfill plant, office and dry facilities, maintenance shops and a warehouse. Additional surface facilities include maintenance shops, a security gatehouse, a fuel storage facility and a natural gas receiving facility.

The concentrator is a standard differential flotation mill comprised of a grinding section, with a semi-autogenous (SAG) mill, and a flotation section with copper and zinc circuits. The concentrates are stockpiled in a storage shed prior to loading onto rail cars for shipment to a smelter.

Approximately 50% of the tailings are pumped to a submerged tailings pond which inhibits oxidation of the contained sulphides, and hence acid generation, by reducing the oxygen supply. The tailings pond site is located 8 kilometres northwest of the concentrator. The balance of the tailings is placed underground as backfill.

The Louvicourt mine operates in accordance with current Canadian and U.S. standards and practice for environmental protection and meets or exceeds current environmental requirements in Québec. All operating permits required for the mine under applicable environmental and other laws and regulations have been obtained and are in good standing.

Fresh water is supplied by wells drilled into an esker adjacent to the minesite. Water requirements for the concentrator are largely supplied by recirculation of water pumped from underground and mill effluent so that the concentrator is operated to the extent possible with recycled water. Electrical power is supplied from the nearby Hydro Québec power grid.

Approximately 300 persons are employed at the site. The employees are not unionized.

### *Mine Plan and Concentrate Production*

Commercial production was attained at the Louvicourt mine during January, 1995, with the production rate of 4,000 tonnes per day being achieved during June, 1995. In 1996, the production rate was increased to the current rate of 4,300 tonnes per day. As at December 31, 2000, the Louvicourt mine had produced approximately 9.6 million tonnes of ore at an average grade of 3.6% copper, 1.6% zinc, 26.3 g/tonne silver and 0.98 g/tonne gold.

The current proven and probable reserves at the Louvicourt mine can support approximately 4 years of production at the projected steady state mining rate of 4,300 tonnes per day, with milling expected to continue on a 7 days a week basis for at least two years, possibly reducing to 5 days a week thereafter, depending on mining conditions.

Approximately 1.6 million tonnes of ore was mined and milled during 2000. The average head grade was 3.31% copper, 1.41% zinc, 24.7 g/tonne silver and 0.85 g/tonne gold, with a copper recovery of 96.8% to a 28.3% copper concentrate and a zinc recovery of 81.4% to a 55.6% zinc concentrate. Gold recovery was 72.2% and silver recovery 69.2%. Concentrate production during 2000 was 179,478 tonnes of copper concentrate and 32,805 tonnes of zinc concentrate.

Approximately 1.6 million tonnes of ore is scheduled to be milled in 2001. The average head grade of ore to be mined and milled is expected to be approximately 3.40% copper, 1.61% zinc, 26.5 g/tonne silver and 0.98 g/tonne gold, with a copper recovery of 96.5% to a 28.6% copper concentrate and a zinc recovery of 80.1% to a 56.6% zinc concentrate. The 2001 plan estimates a gold recovery of 70.7% and a silver recovery of 67.8%. Concentrate production in 2001 is expected to be 180,322 tonnes of copper concentrate and 35,682 tonnes of zinc concentrate.

#### *Concentrate Sales Agreements*

Aur's share of the copper concentrates produced from the Louvicourt mine is currently sold to a subsidiary of Noranda, Noranda Metallurgy Inc. and shipped by rail and smelted at its smelter in Rouyn, Quebec. The prices paid for the payable copper, gold and silver contained in such concentrates are based on London Metal Exchange ("LME") and London Bullion Market Association quotations. Treatment and refining charges are adjusted annually.

Aur's share of the zinc concentrates is currently sold to a Noranda subsidiary, Canadian Electrolytic Zinc Limited, and shipped by rail to and smelted at its smelter in Valleyfield, Quebec. The price paid for the payable zinc contained in such concentrates is based on LME quotations. Treatment and refining charges are adjusted annually.

#### *Operating Costs and Capital Expenditures*

The mine site cash operating cost at the Louvicourt mine during 2000 was \$24.95 per tonne of ore milled while total cash operating costs (including smelting, refining, transportation and marketing costs, settlement adjustments, provisional pricing and net of by-product credits) were \$0.43/lb. of copper sold. In 2001, the average mine site cash operating cost is expected to be \$26.31 per tonne of ore milled while total cash operating costs are expected to be \$0.47/lb. of copper sold.

Capital expenditures for 2000 were \$2.1 million. Capital expenditures for 2001 are expected to be \$0.8 million.



## **Quebrada Blanca Mine**

### *The QB Acquisition*

On November 22, 2000, Aur completed the purchase from Cominco Ltd. ("Cominco"), Teck and certain subsidiaries thereof (collectively, "Cominco/Teck") of their collective 76.5% shareholding in Compañía Minera Quebrada Blanca S.A. ("QB"), a Chilean private company, together with certain project debt, subordinated debt and guarantee fees owed by QB to Cominco/Teck (the "QB Acquisition"). QB owns a 100% interest in the Quebrada Blanca copper mine (the "QB mine") located in northern Chile.

In conjunction with the QB Acquisition, Aur completed and drewdown a \$170 million bank credit facility (the "Facility") and used such funds to partially finance the purchase price paid payable to Cominco/Teck on the QB Acquisition. See "The Facility".

The aggregate purchase price payable to Cominco/Teck by Aur for the 17,825 Series A shares of QB and the QB senior project debt of \$56.5 million, subordinated debt of \$72 million and \$17.5 million of guarantee fees owed by QB to Cominco/Teck acquired by Aur pursuant to the QB Acquisition was an aggregate of \$256.1 million. Of the foregoing \$256.1 million payable to Cominco/Teck, \$180.6 million was paid on November 22, 2000 and a further \$0.5 million was paid on February 20, 2001. The amount of \$35 million remains payable to Cominco/Teck on December 31, 2003 as well as an amount of up to \$40 million during the period 2001-2012 should the copper price equal or exceed \$1.10 per lb., adjusted for inflation. The deferred payment of \$35 million carries interest at 6% per annum until December 31, 2002 and thereafter at a rate of interest equal to that paid by Aur on the Facility. The said deferred payment is payable in cash or common shares of Aur at Aur's election (unless prepaid, in which case such prepaid amount is only payable in cash) and, if paid in shares, the shares issued are to be valued for such purpose at a price equal to 90% of the lower of (i) the daily weighted average trading price of such shares for the 20 trading days ended December 19, 2003 and (ii) the weighted average trading price of such shares on December 19, 2003. The \$40 million contingent payment is only payable as to a maximum of \$10 million in any year (or, after 2006 or in certain other circumstances, \$2.5 million in any calendar quarter) during the period 2001-2012, inclusive, and only in respect of such year (or, after 2006 or in certain other circumstances, calendar quarter thereof) in which the copper price, on an inflation adjusted basis, averages at least \$1.10 per pound. The \$56.5 million of QB senior project debt acquired by Aur from Teck comprised part of the aggregate \$125.6 million balance of QB senior project debt then owing by QB, which debt was originally incurred to partially finance the development of the QB mine. The remaining \$69.1 million of QB senior project debt then owed by QB to certain third party lenders was also acquired by Aur as part of the QB Acquisition, with the result that Aur is now the senior project lender to QB. The \$72 million of QB subordinated debt acquired by Aur from Cominco/Teck, which is non-interest bearing, reflects advances previously made by Cominco/Teck to partially fund the development of the QB mine, while the guarantee fees owed by QB arose from guarantees, since released, by Cominco/Teck of the aforesaid senior project debt. Aur has also assumed responsibility for the \$8.55 million balance payable by Cominco/Teck to Empresa Nacional de Minería ("ENAMI"), a Chilean government entity, in connection with the original acquisition of the Quebrada Blanca property by QB from ENAMI, which amount is payable in an

installment of \$1.8 million on June 30, 2001 and in installments of \$2.25 million on June 30 in each of 2002, 2003 and 2004.

As well, in connection with the QB Acquisition, Aur issued Cominco/Teck an aggregate of 5 million common shares of Aur for aggregate subscription proceeds of CDN\$12.45 million, being CDN\$2.49 per share. Cominco/Teck currently hold in the aggregate approximately 10.2% of Aur's currently issued 90,729,775 common shares.

#### *Ownership Interests*

Aur owns 17,825 or 90% of the Series A shares of QB, Inversiones Mineras S.A. ("Pudahuel"), a Chilean private company, owns 1,980 or 10% of the Series A shares and 1,165 or 100% of the Series C shares of QB and ENAMI holds 2,330 or 100% of the Series B shares of QB. The owners of the Series A shares of QB were responsible for providing, on a pro rata basis, 100% of the capital required to develop and bring the QB mine into commercial production and remain responsible for providing any further capital required in connection with ongoing mine operations, including any capital expenditures. The Series B shares of QB are voting, carry dividends equal in value per share to those payable on the Series A shares and are always to be equal in number to 10% of the aggregate number of Series A, Series B and Series C shares of QB outstanding from time to time, without being required to contribute any further capital. The Series C shares of QB are voting, carry dividends equal in value per share to those payable on the Series A shares and are always to be equal in number to 5% of the aggregate number of Series A, Series B and Series C shares of QB outstanding from time to time, without being required to contribute any further capital. Pursuant to a shareholders' agreement amongst the Series A, B and C shareholders (the "QB Shareholders Agreement"), at least 30% of the net profits of QB in each year must be distributed as dividends once QB has repaid the existing senior project debt that it currently owes to Aur. Subject to the foregoing, as it is currently intended that all debt, including subordinated debt and other obligations of QB will be repaid prior to the payment of dividends, the Series B and Series C shares in essence provide the holders thereof with, respectively, the equivalent of a 10% and a 5% net profits interest in the QB mine. ENAMI is also entitled to receive, under the by-laws of QB, a per pound price participation in copper sales from the QB mine equal to 10% of the amount by which the average realized sales price per pound for copper sold by the mine in any calendar year exceeds a specified inflation indexed price for such year, which price, for 2000, was \$1.31/lb.

In a transaction related to the QB Acquisition, Aur granted Pudahuel the non-transferable right (the "Pudahuel Option") to purchase from Aur, on or before December 31, 2001, 2,213 Series A shares of QB together with 9.5/76.5ths of the senior and subordinated debt and guarantee fees purchased by Aur from Cominco/Teck for \$27.5 million, being the price, on a pro-rata basis, paid by Aur to Cominco/Teck for such interests, and on terms essentially equivalent to the terms under which Aur acquired such interests from Cominco/Teck, plus accrued interest at the rate of 9% per annum thereon from November 22, 2000 to the date of exercise. Pudahuel agreed, in consideration of the grant to it of the Pudahuel Option, to waive its right of first offer to purchase the Series A shares of QB sold by Cominco/Teck to Aur. In the event that Pudahuel exercises the Pudahuel Option, Aur's current shareholding in QB will be reduced to 67% and Pudahuel's current shareholding in QB of 13.5% would increase to 23%.

Pursuant to the QB Shareholders Agreement, Aur is entitled to appoint four members to QB's board of directors, with Pudahuel being entitled to appoint one such member and ENAMI being entitled to appoint two such members.

### *The Facility*

In conjunction with the QB Acquisition, Aur completed and drewdown the Facility on November 22, 2000 from a syndicate of eleven banks (collectively, the "Lenders") and used such funds to partially finance the QB Acquisition.

The Facility has been advanced to Aur in two tranches, the first tranche (Tranche "A") being in the amount of \$160 million and the second tranche (Tranche "B") being in the amount of \$10 million.

Tranche A is repayable in 13 semi-annual installments commencing June 30, 2001 and ending June 30, 2007. The semi-annual installment payments vary in amount, are \$4.2 million in 2001 and range from \$12.2 million to \$16.5 million during 2002-2007. Tranche B has no scheduled repayments and is repayable from excess cash flow (as defined) generated by Aur's mining operations, with a final maturity date of June 30, 2007. In addition to the Tranche A scheduled principal repayments, between 40% and 100% of excess cash flow is required to be utilized to repay a portion of Tranche A and Tranche B on each payment date, with the relevant percentage thereof required to be so utilized to be determined by the debt service coverage ratio as at the relevant payment date. Of excess cash flow required to be utilized for such repayments, 75% thereof is required to be utilized to repay Tranche A and 25% thereof is required to be utilized to repay Tranche B. All proceeds received by Aur from any exercise of the Pudahuel Option are also required to be utilized to repay the Facility. Further, should the debt service coverage ratio not meet or exceed a specified level at any time during the term of the Facility, 100% of Aur's cash flow must be applied to repay the Facility during such time. (For purposes of the Facility, the debt service coverage ratio as at each relevant calculation date is the ratio of the net cash flow generated by Aur's mining operations during the relevant calculation period to the relevant debt service requirements under the Facility.) Failure at any time during the term of the Facility for the debt service coverage ratio to be at least a specified level or for Aur to maintain minimum cash levels of between \$15 million and \$20 million (depending on the completion of certain capital expenditure programs and the meeting of certain production and cost parameters) will also constitute a default under the Facility.

Borrowings under the Facility are denominated in United States currency. The applicable rates of interest are floating and vary depending on the manner of advance selected. Interest rates under Tranche A vary from LIBOR plus 2.0% to LIBOR plus 3.0% based on the debt service coverage ratio and the term to maturity of the Facility. Interest rates under Tranche B vary from LIBOR plus 3.125% to LIBOR plus 4.375% based on the debt service coverage ratio and the term to maturity of the Facility.

The Facility is secured by a first charge on all of Aur's material property and assets. The Facility also provides for customary events of default, including a change of control of Aur and/or any third party mergers without the Lenders' consent; however, there are no restrictions on Aur paying dividends or making other distributions to shareholders so long as the Facility is in good standing. Aur also has the right to prepay the Facility at any time.

### *Property Interests and Location*

QB owns the exploitation and/or exploration rights over an area of approximately 80 square kilometres in the immediate area of the Quebrada Blanca deposit pursuant to various mining concessions and other rights. In addition, QB owns surface rights covering the mine-site and other areas aggregating approximately 3,150 hectares as well as certain other exploration rights in the surrounding area.

The QB mine is located in northern Chile approximately 170 km southeast of the port city of Iquique and 1,500 km north of the city of Santiago, the capital of Chile. Access to the mine-site is via a combination of paved roads from Iquique, including the Pan American highway, and unpaved roads. There is also a 2,700 metre long airstrip which serves the QB mine.

The property is in the high Andean plateau or altiplano at an altitude of between 4,150 metres and 4,400 metres. The Quebrada Blanca property is characterized by rounded hills cut by steep sided erosional gulleys. The climate is arid or semi-arid with rain and snow precipitation totalling 150 mm to 200 mm per year. Temperatures typically range from 8°C to minus 5°C in the winter and from 15°C to 0°C in the summer.

### *Geology*

The QB orebody is a porphyry copper deposit located in a 30-40 km wide belt of volcanic and sedimentary rocks which contains a number of the world's largest copper mines including Collahuasi (10 km to the east) and Chuquicamata (190 km to the south). All of these deposits are spatially related to a major north-south fault, the West Fissure Fault, or to splays off this fault.

The QB orebody occurs within a 2 km x 5 km quartz monzonite intrusive stock. Supergene enrichment processes have dissolved and redeposited the primary (hypogene) chalcopryrite as a blanket of supergene copper sulphides, the most important being chalcocite and covellite, with lesser copper oxides/silicates such as chrysocolla in the oxide zone. The supergene mineralization averages 80 metres in thickness and is, for the most part, overlain by a 100 metre thick, low grade or waste leached cap and unmineralized rock and gravels. Irregular transition zones, with (locally) faulted contacts separate the higher and lower grade supergene/dump leach ores from the leached cap and hypogene zones.

### *Mineral Reserves and Resources*

The following table presents mineral reserves and resources at the QB mine as estimated by QB for 100% of the heap leach, dump leach and oxide leach categories as at December 31, 2000:

## Mineral Reserves

|                 | Heap Leach       |             | Dump Leach       |             | Oxide Leach      |             | Total            |             |
|-----------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|
| <u>Category</u> | <u>t (000's)</u> | <u>TCu%</u> | <u>t (000's)</u> | <u>TCu%</u> | <u>t (000's)</u> | <u>TCu%</u> | <u>t (000's)</u> | <u>TCu%</u> |
| Proven          | 31,686           | 1.20        | 17,320           | 0.60        | 4,150            | 0.58        | 53,156           | 0.96        |
| Probable        | <u>53,170</u>    | <u>1.04</u> | <u>21,165</u>    | <u>0.56</u> | <u>5,267</u>     | <u>0.58</u> | <u>79,602</u>    | <u>0.88</u> |
| Total           | 84,856           | 1.10        | 38,485           | 0.57        | 9,417            | 0.58        | 132,758          | 0.91        |

## Mineral Resources (including Mineral Reserves)

|                 | Heap Leach       |             | Dump Leach       |             | Oxide Leach      |             | Total            |             |
|-----------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|
| <u>Category</u> | <u>t (000's)</u> | <u>TCu%</u> | <u>t (000's)</u> | <u>TCu%</u> | <u>t (000's)</u> | <u>TCu%</u> | <u>t (000's)</u> | <u>TCu%</u> |
| Measured        | 32,571           | 1.18        | 18,662           | 0.60        | 4,152            | 0.58        | 55,385           | 0.94        |
| Probable        | <u>59,875</u>    | <u>1.01</u> | <u>32,286</u>    | <u>0.52</u> | <u>5,284</u>     | <u>0.58</u> | <u>97,445</u>    | <u>0.82</u> |
| Total           | 92,446           | 1.07        | 50,948           | 0.55        | 9,436            | 0.58        | 152,830          | 0.87        |
| Inferred        | 19,352           | 0.87        | 29,562           | 0.43        | 4,886            | 0.55        | 53,800           | 0.60        |

Notes:

“t (000's)” means thousands of tonnes; “TCu%” is the percent assayed total copper grade.

The QB mineral reserve and resource estimates have been prepared and classified in accordance with the standards established under 43-101. The qualified persons responsible for the mineral resource and reserve estimates, respectively, are Johny Bonilla, Chief Mine Geologist, QB Mine and Victor Pinto, Mine Superintendent, QB Mine, under the supervision of David J. Libby, P.Eng. Vice-President, Mining Operations, Aur South America Division. The proven and probable reserves comprise those portions of the measured and indicated resources, respectively, that are contained within the currently planned final pit outline which was derived from the QB 1999 block model and adjusted for the pit topography at December 31, 2000. Proven reserves and measured resources include broken stockpiles totalling 15.6 million tonnes grading 0.59 TCu%, with the remainder being in situ.

The mineral reserves and resources were estimated using a copper price of \$0.90/lb. and cut-off grades of 0.40 RCu% for heap leach mineralization, 0.12 RCu% for dump leach mineralization and 0.32 RCu% for oxide leach mineralization, where RCu% represents the estimated recovered copper grade for the mineral reserve and resource categories.

The mineral resource classification is based on block model sample density measured by the number of composites in each polygon, using a search ellipsoid of 50 x 50 x 37.5 m. for the measured mineral resources, 100 x 100 x 100 m for the indicated mineral resources and greater than 100 x 100 x 100 m for the inferred resources.

Resources that do not qualify as reserves do not have demonstrated economic viability.

The primary (hypogene) deposit which underlies the supergene mineralization is essentially unexplored. The limited drilling completed to date has intersected significant hypogene copper mineralization and, accordingly, potential exists to outline reserves and/or resources of hypogene ore.

## Mining and Processing

Production commenced in August 1994 and, as of December 31, 2000, the QB mine had produced 400,514 tonnes of cathode copper from 38.1 million tonnes of ore mined and stacked at an average grade of 1.57% total copper. Taking into account the existing heap inventory, recoveries from the heap leach operation have averaged approximately 80% of the total copper delivered to the pads and these rates are

expected to continue. Dump leach recoveries are forecast to be approximately 30% and oxide leach recoveries, 80%.

During 2000, 5.9 million tonnes of heap leach ore at a grade of 1.49% total copper were mined, crushed and stacked on the leach pads, 1.9 million tonnes of dump leach and oxide ore at an estimated grade of 0.57% total copper were stockpiled and a total of 20.9 million tonnes of waste were also mined, yielding a strip ratio of 2.65:1. During 2001, 6.6 million tonnes of heap leach ore at a grade of 1.51% total copper is scheduled to be mined, crushed and stacked on the leach pads, 1.5 million tonnes of dump leach and oxide ore averaging 0.80% total copper is to be stockpiled and 21.1 million tonnes of waste is also to be mined, yielding a strip ratio of 2.58:1.

The QB life of mine plan involves the open-pit mining of approximately 18,000 tonnes per day ("tpd") (6.6 million tonnes per year) of supergene mineral reserves amenable to heap leaching, up to 27,000 tpd of dump leach and oxide mineral reserves and up to 60,000 tpd of waste. The current proven and probable reserves at the QB mine are sufficient to sustain production at the planned rates for at least 12 years.

The QB processing facilities produce cathode copper by utilizing crushing, agglomerating, stacking, heap leaching, solvent extraction and electrowinning (SX-EW) processes.

Mining on 15 metre benches is carried out using standard drilling and blasting techniques, mucking with 27 cu. yd. shovels and hauling of the ore and waste with a fleet of eight 157 tonne trucks. Heap leach ore is delivered to a 3 stage crushing facility located close to the open-pit and then crushed and conveyed to a rotary agglomeration facility where it is pre-treated with hot water and sulphuric acid before being stacked 8 metres high on 2 dynamic (load-unload) leach pads, utilizing a grasshopper stacking system which was developed in 2000 to replace the existing multiple lift pad system. Sulphuric acid is applied to the ore using drippers to dissolve the copper with the assistance of bacteria and air. The leaching process recovers approximately 85% of the soluble copper in approximately 210 days. The dynamic leach pad arrangement is sufficient in size to allow for up to 450 days of leaching time before spent ore is removed.

Copper-bearing solutions are collected from the leach pads and piped to the solvent extraction and electrowinning (SX-EW) plant. The solvent extraction consists of three parallel circuits with each circuit comprised of two extraction stages and one stripping stage to concentrate the copper sulphate solutions for supply to the electrowinning plant. Cathode copper is produced by the electrowinning of the copper in solution, utilizing electrolysis to deposit the copper onto stainless steel cathodes. The SX-EW plant has a design capacity of 6,250 tonnes of cathode copper per month. The cathode copper produced is trucked to Iquique for shipment to purchasers.

The QB mine operates in accordance with current Canadian and U.S. standards and practice for environmental protection and meets or exceeds current environmental requirements in Chile. All operating permits required for the mine under applicable environmental and other laws and regulations have been obtained and are in good standing.

Up to 40 MW of electrical power for the mine-site is currently supplied by onsite diesel generators using heavy oil fuel. Process water is supplied from 7 QB owned

water wells and associated water rights located in the Salar de Michincha and pumped through a 38 kilometre long pipeline to the site.

Mine infrastructure includes an administration office, an analytical and metallurgical laboratory, maintenance facilities, a warehouse, power house and fully serviced camp.

The labour force employed in the operation of the mine, excluding approximately 510 people employed by on-site contractors, totalled approximately 565 people as at December 31, 2000. Most of the foregoing employees and contractor personnel work on a 7 days on, 7 days off, 12 hours per day schedule to minimize employee travel to the site, with bus transportation being supplied to and from Iquique. Senior staff work on a 4 days on, 3 days off schedule. QB also has an office in Iquique (12 employees).

The QB mine is unionized, with the current union contract expiring in June, 2004.

#### *Cathode Production*

In 2000, the QB mine produced 68,615 tonnes of cathode copper, of which 74% was LME Grade A material and 26% was LME Standard Grade material. Production in 2001 is expected to be 75,000 tonnes of cathode copper.

#### *Marketing*

Sales agreements have been entered into with Marc Rich & Co., Investment A.G. ("Marc Rich"), Glencore Asesorias Ltda. and Metals and Commodity Limited whereunder 2,500 tonnes per month, 2,000 tonnes per month and 500 tonnes per month of cathode copper will be sold respectively to such entities in 2001 at prices based on LME quotations, plus a premium. The remainder of the QB mine production will be sold by agents or on the spot market directly to customers.

#### *Operating Costs and Capital Expenditures*

The average direct cash operating cost during 2000 (including marketing and transportation costs) was \$0.52/lb. of cathode copper sold. For 2001, the average direct cash operating cost is expected to be \$0.51/lb. of cathode copper sold.

It is anticipated that up to \$50 million of the operating cash flow generated by the QB mine will be reinvested in the mine during the period 2001-2003 in order to enhance the quality of the cathode copper produced, to increase annual production to 80,000 tonnes of cathode copper beginning in 2003 and thereafter and to reduce operating costs. The foregoing capital expenditures are to improve the filtration system, establish a two stage ILS-PLS leaching circuit, establish a dump leach operation and connect the QB mine to the 220 kV electrical line currently supplying the nearby Collahuasi mine in order to reduce the QB mine's electrical costs and provide additional power. Dump leach (low grade supergene) ore and oxide ore have to date been stockpiled, uncrushed, for leaching at a later date. As the average grade of the heap leach ore becomes lower during the life of the QB mine, production from the heap leach ore is to be supplemented by copper leached from dump and oxide ore types as required in future years in order to maintain annual copper production at 80,000 tonnes. Life-of-mine cash operating costs (including all marketing and

transportation costs) are expected to average \$0.49 per pound of copper produced at the 80,000 tonnes per annum production rate.

In addition, a program of infill drilling, designed to further upgrade mineral resources to reserves, is ongoing and will result in updated mineral resource and reserve estimates and mine plan being prepared during 2001. Exploration work is also planned adjacent to the existing open pit with a view to increasing the mineral reserves.

## **Andacollo Mine**

### *Ownership Interests*

The Andacollo property is owned by a Chilean private company, Compañía Minera Carmen de Andacollo ("CDA"). Aur owns 70% of the Series A shares of CDA, with Compañía Minera del Pacifico S.A. ("CMP"), a Chilean mining enterprise, owning the remaining 30% of the Series A shares of CDA. ENAMI holds 100% of the Series B shares of CDA. Aur and CMP, as the owners of all the Series A shares of CDA, provided, on a 70:30 basis, 100% of the funds required to develop and bring the Andacollo deposit into commercial production and remain responsible for providing any further capital required in connection with ongoing mine operations, including any capital expenditures. The Series B shares of CDA are voting, carry dividends equal in value per share to those payable on the Series A shares and are always to be equal in number to 10% of the aggregate number of Series A and Series B shares of CDA outstanding from time to time, without being required to contribute any further capital. As it is currently intended that all debt incurred by CDA to put the Andacollo mine into production will be repaid prior to the payment of dividends, the Series B shares in essence provide ENAMI with the equivalent of a 10% net profits interest in the mine.

Aur acquired its Series A shares of CDA in 1995 from ENAMI and Compañía Minera Nacional Limitada for an aggregate purchase price of \$3,290,000, of which \$1,470,000 remains payable in 6 equal annual installments of \$245,000, payable by November 30 in each of the years 2001-2006.

Pursuant to CDA's by-laws, Aur is entitled to appoint four members to CDA's board of directors, with CMP being entitled to appoint two such members and ENAMI being entitled to appoint one such member.

### *Property Interests and Location*

CDA owns the exploitation and/or exploration rights over an area of approximately 206 square kilometres in the area of the Andacollo deposit pursuant to various mining concessions and other rights. In addition, CDA owns the surface rights covering the mine-site and other areas aggregating approximately 21 square kilometres.

The Andacollo property is located in Coquimbo Province in central Chile. The site is adjacent to the town of Andacollo, approximately 55 km southeast of the port city of La Serena and 350 km north of Santiago. Access to the Andacollo mine is by paved roads from La Serena, including the Pan-American highway. This area lies at the southern limit of the Atacama Desert among northerly trending valleys bounded by low rolling foothills of the Andes at an elevation of approximately 1,000 metres.



The climate around Andacollo is transitional between the desert climate of the northern zone and the Mediterranean climate of the Santiago area.

### *Geology*

The Andacollo orebody is a porphyry copper deposit consisting of disseminated and fracture controlled copper mineralization contained within a gently dipping sequence of andesitic to trachytic volcanic rocks and sub-volcanic intrusions. The mineralization is spatially related to a feldspar porphyry intrusion and a series of deeply rooted fault structures. The primary pyrite-chalcopyrite deposit has been exposed at surface and subjected to surface weathering processes resulting in the formation of a leached zone ranging from 10 to 60 metres thick and averaging approximately 30 metres in thickness. The original copper sulphides leached from this zone have been re-deposited mainly as copper silicate (chrysocolla) in an oxide zone and as supergene copper sulphides (chalcocite with lesser covellite) both below the leached zone. This supergene-oxide blanket which comprises the current mineral resource at Andacollo occupies an area of approximately 1,500 metres by 1,000 metres, ranges in thickness between 5 and 80 metres and grades downwards into a primary (hypogene) zone mineralized with pyrite and chalcopyrite.

### Mineral Reserves and Resources

The following table presents the mineral reserves and resources at the Andacollo mine as estimated by Aur for 100% of the oxide and supergene portions of the deposit as at December 31, 2000:

#### Mineral Reserves

|                | <u>t (000's)</u> | <u>TCu %</u> | <u>SCu %</u> |
|----------------|------------------|--------------|--------------|
| Proven         | 18,910           | 0.77         | 0.68         |
| Probable       | <u>4,329</u>     | <u>0.68</u>  | <u>0.59</u>  |
| Total Reserves | 23,239           | 0.75         | 0.67         |

#### Mineral Resources (including Reserves)

|                 | <u>t (000's)</u> | <u>TCu %</u> | <u>SCu %</u> |
|-----------------|------------------|--------------|--------------|
| Measured        | 34,142           | 0.63         | 0.53         |
| Indicated       | <u>15,447</u>    | <u>0.52</u>  | <u>0.43</u>  |
| Total Resources | 49,589           | 0.60         | 0.50         |
| Inferred        | 258              | 0.43         | 0.38         |

Notes:

“t (000’s)” means thousands of tonnes; “TCu%” is the percent assayed total copper grade; “SCu%” is the percent soluble copper, which is the sum of the acid soluble copper assay and cyanide soluble copper assay.

The Andacollo mineral reserve and resource estimates have been prepared and classified in accordance with the standards established under 43-101. The qualified persons responsible for the mineral resource and reserve estimates, respectively, are Neil Barr, P.Geo., Chief Mine Geologist, Andacollo Mine, and Roberto Diaz, formerly Chief Engineer, Andacollo Mine, under the supervision of David J. Libby, P.Eng. Vice-President, Mining Operations, Aur South America Division. The proven and probable reserves comprise those portions of the measured and indicated resources, respectively, that are contained within the August, 2000 pit design which was derived from the July 2000 block model and adjusted for the pit topography at December 31, 2000.

Additional low grade mineral reserves totalling 5.8 million tonnes grading 0.36 TCu% (0.27 SCu%) in the proven category and 1.6 million tonnes grading 0.41 TCu% (0.27 SCu%) in the probable category are being stockpiled and will be available for leaching at the end of the projected mine life.

The mineral reserves and resources were estimated using a copper price of \$0.95/lb. (\$0.85/lb. for material to be mined in 2001) and variable cut-off grades ranging from 0.20 SCu% to 0.38 SCu%. Proven reserves and measured resources include broken stockpiled reserves, totalling 247,000 tonnes averaging 0.82% TCu, with the remainder being in situ. Measured resources are defined by a minimum 22 drill hole composites (drill hole spacing at approximately 50 metres). Indicated resources are defined by between 3 and 21 drill hole composites (drill hole spacing at approximately 50 x 75-100 metres) and inferred resources, by up to 2 composites and drillholes spaced at over 100 metres.

Resources that do not qualify as reserves do not have demonstrated economic viability.

A primary, copper-gold sulphide mineral resource containing principally chalcopyrite mineralization has been outlined by drilling beneath the oxide and supergene mineralization at Andacollo. A pre-feasibility study was carried out by Aur in 1998 involving the preparation of a preliminary development and mining plan and an estimate of the capital and operating costs required to develop a conventional sulphide milling operation producing copper concentrates. The study established measured and indicated mineral resources as follows:

|                                      | <u>Cut-Off Grade</u> | <u>Tonnes</u><br>(millions) | <u>TCu</u><br>(%) | <u>Au</u><br>(g/t) |
|--------------------------------------|----------------------|-----------------------------|-------------------|--------------------|
| In-Pit Measured & Indicated Resource | 0.30 CuEq            | 312                         | 0.46              | 0.15               |
| In-Pit Measured & Indicated Resource | 0.40 CuEq            | 178                         | 0.52              | 0.17               |

Notes:

“TCu%” means assayed total copper grade; “CuEq” means copper equivalent. Metal prices used in study: Cu, \$1.00/lb; Au, \$300.00/oz. Copper equivalency takes into account the expected recoveries of copper and gold.

At the time of completion of the study, measured and indicated resources were not classified separately.

Resources that do not qualify as reserves do not have demonstrated economic viability.

The pre-feasibility study indicated that it could be economic to develop the above resources at copper prices above approximately \$0.95 per pound.

### *Mining and Processing*

Commercial production was attained at the Andacollo mine during January, 1997, with full production being achieved in March, 1997. As at December 31, 2000, the Andacollo mine had produced 86,657 tonnes of cathode copper from the mining of 12.96 million tonnes of ore at an average grade of 1.00% total copper or 0.81% soluble copper.

The CDA life-of-mine production plan provides for the mining and processing of 23.2 million tonnes of ore at an average grade of 0.75% total copper or 0.67% soluble copper over a 7 year period and the production of approximately 140,000 tonnes (310 million pounds) of LME Grade A cathode copper. The current proven and probable heap leach reserves at the Andacollo mine represent approximately 7 years of production at the projected steady state mining rate of approximately 3.4 million tonnes of ore per year. To access the mineable ore, approximately 82 million tonnes of waste rock (including 7.3 million tonnes of low grade reserves which will be stockpiled for possible treatment at the end of the life of the mine) will be mined from the pit over the remaining life of the mine at an average strip ratio of 3.56:1. Infill drilling, scheduled to be completed during 2001, is expected to result in revisions being made to the mineral reserves and resources and the mine plan.

During 2000, 3.4 million tonnes of ore at a grade of 0.94% total copper or 0.79% soluble copper were mined, crushed and stacked on the leach pads while 9.3 million tonnes of waste and low grade material were also mined, yielding a strip ratio of 2.69:1. During 2001, 3.4 million tonnes of ore at a grade of 0.86% total copper or 0.72% soluble copper are scheduled to be mined, crushed and stacked on the leach pads while 13.6 million tonnes of waste and low grade material will also be mined, yielding a strip ratio of 4:1.

The Andacollo processing facilities produce LME Grade A cathode copper by utilizing crushing, agglomeration, heap leaching, solvent extraction and electrowinning (SX-EW) processes. The Andacollo mine cathode copper was granted LME brand registration in May, 1999.

Standard drilling and blasting techniques are used to mine the deposit on 5 metre benches which are mucked in increments of 2.5 metres using two 7.0 cu. metre hydraulic shovels in a backhoe configuration, thereby optimizing grade control. The ore and waste is hauled with eight 91 tonne trucks. Supergene and oxide ore is delivered to a 3 stage crushing facility.

The ore is then crushed and conveyed to a rotary agglomeration facility where it is pre-treated with sulphuric acid and placed on leach pads in multiple lifts of 7 metres each. Sulphuric acid is applied to the ore to dissolve the copper with the assistance of bacteria. The leaching process recovers approximately 85% of the soluble copper in approximately 280 days. The resultant copper-rich solutions are then collected and piped to the solvent extraction-electrowinning (SX-EW) plant.

The SX-EW plant's solvent extraction system utilizes two extraction and one stripping stage to concentrate the copper sulphate solutions for supply to the electrowinning plant. Copper is produced by the electrowinning of the copper in solution, using electrolysis to deposit the copper onto stainless steel cathodes. The cathode copper produced is trucked to the Chilean ports of Valparaiso or San Antonio for shipment to purchasers.

The Andacollo mine operates in accordance with current Canadian and U.S. standards and practice for environmental protection and meets or exceeds current environmental requirements in Chile. All operating permits required for the mine under applicable environmental and other laws and regulations have been obtained and are in good standing.

Electric power is supplied from El Peñon, near La Serena, and transmitted a distance of 20 km to the Andacollo site using a 110 kV power line. Process water is

supplied from a CDA owned water well and associated water rights near El Peñon, pumped through a 28 km long pipeline to the site.

Mine infrastructure includes an administration office, an analytical and metallurgical laboratory, maintenance facilities and a warehouse.

The labour force employed in the operation of the mine, excluding approximately 93 people employed by on-site contractors, totalled approximately 250 people as at December 31, 2000. The employees of CDA at the mine-site established a union in 2000, with the initial union contract negotiated at such time expiring in June, 2004..

### *Cathode Production*

In 2000, the Andacollo mine produced 22,028 tonnes of LME Grade A cathode copper. Production in 2001 is expected to be at least 21,500 tonnes of cathode copper.

### *Marketing*

A sales agreement has been entered into with Marc Rich whereunder 1,500 tonnes per month of the Andacollo mine's cathode copper will be sold to Marc Rich in 2001 at prices based on LME quotations plus a premium. The remainder of the Andacollo mine production will be sold by agents or on the spot market directly to customers.

### *Operating Costs and Capital Expenditures*

The average direct cash operating cost during 2000 (including all marketing and transportation costs) was \$0.47/lb. of cathode copper sold. For 2001, the average direct cash operating cost is expected to be \$0.52/lb. of cathode copper sold.

Capital expenditures in 2000 were \$0.2 million and are expected to be \$1.7 million in 2001.

## **Exploration and Other Properties**

### *General*

As at December 31, 2000, Aur had a portfolio of approximately 100 mineral properties, ranging from properties on which resources have been established to properties in the initial exploration stage. Exploration remains an important element of Aur's overall corporate growth strategy. Aur's exploration efforts are concentrated in Canada and Chile and are focussed on the discovery of polymetallic massive sulphide deposits and bulk mineable copper and/or gold deposits.

In 2000, Aur completed exploration programs on 21 of its properties at a total cost of \$4.7 million, of which Aur's share was \$3.9 million. Aur operated all of the exploration programs on which funds were expended in 2000. Of the foregoing expenditures, \$1.2 million (25%) was expended on gold exploration and \$3.5 million (75%) on base metal exploration. On a geographic basis, \$1.8 million (40%) was spent in Québec, \$0.9 million (19%) in Manitoba/Saskatchewan, \$0.9 million (18%) in the western United States and \$1.1 million (23%) in Chile. Drilling accounted for 41% of

the total expenditures with the completion of 71 holes totalling 32,800 metres on 13 projects.

Aur's 2001 budget provides for exploration work to be carried out on up to 15 properties at a total cost of \$5.3 million, with Aur's share being \$4.5 million and the remaining \$0.8 million being provided by joint venture partners and government grants. The expenditures have been allocated as to 80% to base metals and 20% to gold. On a geographic basis, the budget is allocated as to \$2.6 million (49%) to Québec, \$0.9 million (17%) to Manitoba/Saskatchewan, \$1.6 million (30%) to Chile and \$0.2 million (4%) elsewhere. Drilling of 22,100 metres on 11 projects will account for 30% of the budgetted expenditures. Further, following its completion in 2000 of a two-dimensional seismic survey in the area of the Louvicourt mine designed to test a relatively new application of seismic search technology, Aur intends to carry out a three-dimensional seismic survey over a 28 square kilometre area in the area of the Louvicourt mine in an effort to identify new exploration drilling targets, particularly targets for massive sulphide deposits, at depths of greater than 500 metres.

#### *Aurbel Gold Mill*

The 1,500 ton per day Aurbel gold mill, which is 100% owned by Aur, is located approximately 10 km east of Val d'Or, Québec. It is anticipated that the mill will continue to be kept on a care and maintenance basis in 2001.

### **Risk Factors and Governmental Regulation**

#### *Copper Price Volatility*

The profitability of Aur's operations is and will continue to be primarily dependent upon the price of copper. Copper (and other) metal prices have historically been subject to dramatic fluctuations and are affected by numerous factors which are unpredictable, including international economic and political conditions, speculative activities, the relative exchange rate of the U.S. dollar with other currencies, inflation, global and regional levels of supply and demand, availability and costs of metals or substitutes for metals and the metal inventory levels maintained by producers and others. The volatility of copper prices is illustrated in the following table which sets forth the average of the daily cash settlement prices on the LME of copper (per lb.) for 1980, 1985, 1990 and each year thereafter until 2000:

| <u>1980</u> | <u>1985</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| \$0.99      | \$0.64      | \$1.21      | \$1.06      | \$1.31      | \$0.87      | \$1.05      | \$1.33      | \$1.06      | \$1.03      | \$0.75      | \$0.71      | \$0.82      |

The cash settlement price of copper on the LME was \$0.80/lb. on February 28, 2001.

#### *Development and Mining Risks*

The business of mining generally involves a high degree of risk. No assurance can be given that the development and bringing into commercial production of a mine will be completed as contemplated and for the estimated capital costs or within the estimated time schedule. Also, no assurance can be given that the intended production schedule, metal recoveries, estimated operating costs and/or that profitable operations can or will be achieved. Hazards such as unusual or unexpected geological formations, rock bursts, cave-ins, floods, earthquakes and other hazards

involved in development work and/or mining operations may also adversely affect operations.

### *Nature of Mineral Exploration and Development*

The exploration for and development of mineral properties includes significant financial risks which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves by drilling, to construct mining and processing facilities at a site, to develop metallurgical processes and to extract metals from the ore and to obtain all requisite governmental permits and approvals.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but a combination of these factors may result in Aur not receiving an adequate return on invested capital. In addition, assuming discovery of an economic orebody, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurance that Aur's current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

### *Mineral Reserves, Resources and Metallurgy*

Although Aur believes the reserve and resource figures calculated for its Louvicourt, QB and Andacollo mines are accurate and believes that the methods used to estimate such reserves are appropriate, such figures are only estimates. Reserve estimates are inherently imprecise and depend to some extent on statistical inferences drawn from limited drilling, which may prove unreliable. Should the mineralization and/or the configuration of a deposit ultimately turn out to be significantly different from those currently envisaged, then the proposed mining plan may have to be altered in a way that could affect the volume and grade of the reserves mined and rates of production and consequently could adversely affect the profitability of the mining operations. Further, a decline in the market price of copper or other metals may render reserves containing relatively lower grades of mineralization uneconomic. In addition, actual copper recoveries may vary from estimated recoveries in a way which could adversely affect operations. Moreover, short term operating factors relating to the ore reserves, such as the need for orderly development of the orebody and/or the processing of a new or different ore grades, may cause the mine operations to be unprofitable in any particular period.

### *Competition for Properties*

Because mines have limited lives based on mineral reserves, Aur is therefore continually seeking to replace and expand its reserves. Aur encounters strong competition from other mining companies in connection with the acquisition of properties producing or capable of producing copper, zinc, gold, silver and other minerals. As a result of this competition, Aur may be unable to acquire attractive mining properties on terms it considers acceptable.

### *Adverse Consequences of Financial Leverage*

Aur currently has outstanding secured bank debt of \$170 million. In addition, Aur is required to pay Cominco/Teck \$35 million in respect of the QB Acquisition by December 31, 2003. See “Business of the Company – Quebrada Blanca Mine”.

The degree of Aur’s leverage has important consequences to Aur, including requiring the majority of Aur’s cash flow from operations to be dedicated to debt service, thereby reducing the funds available for other operations and future business opportunities and increasing Aur’s vulnerability to adverse economic and industry conditions during the debt repayment period. In addition, the terms of the Facility restrict Aur’s ability to, among other things, incur any additional material indebtedness and to make other material business commitments.

The ability of Aur to repay its outstanding debt and obligations will principally depend on, among other things, future copper prices (see “Copper Price Volatility” above), interest rates, the future operating performance of Aur’s mines and Aur’s ability to refinance its indebtedness and/or to raise equity capital should such become necessary. Each of these factors is to a large extent subject to economic, financial, competitive and other factors beyond Aur’s control.

### *Chilean Operations*

The QB and Andacollo mines are located in Chile and mineral exploration and mining activities may be affected in varying degrees by Chilean political and economic stability and related government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes are beyond the control of Aur and may adversely affect its operations.

### *Governmental Regulation*

The mineral industry in North America, South America and elsewhere operates under the sphere of federal, provincial, state, regional and municipal legislation governing exploration, development and mining activities. Such legislation typically relates to the method of acquisition of and the system of tenure for mineral rights, labour, health, safety and environmental standards, royalties, mining and income taxes and other matters.

Aur’s operations may also be affected to varying degrees by government regulations in the various jurisdictions within which it operates including such matters as restrictions on production, price controls, export controls, tax increases, expropriation of property, environmental legislation or changes in conditions under which metals may be marketed.

In addition, the development and operation of a mine typically entails compliance with applicable environmental legislation and/or review processes and the obtaining of land use and other permits, water licenses and similar authorizations from various governmental agencies. Failure to comply with this legislation and/or any permits and authorizations issued thereunder may lead to issuance of orders and/or notices interrupting or curtailing operations or requiring the installation of additional equipment and/or the taking of preventative or remedial action.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial data with respect to Aur on a consolidated basis for the years indicated. The information appearing below has been derived from and should be read in conjunction with the consolidated financial statements of Aur and notes thereto. See "Business of the Company – Quebrada Blanca Mine" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for detailed information and for factors affecting the comparability of the data in the following table:

|                                                        | Year Ended Dec. 31,                   |                      |                      |
|--------------------------------------------------------|---------------------------------------|----------------------|----------------------|
|                                                        | <u>2000</u>                           | <u>1999</u>          | <u>1998</u>          |
|                                                        | (in \$000's except per share amounts) |                      |                      |
| Revenues                                               | 89,493                                | 73,070               | 68,912               |
| Assets                                                 | 465,967                               | 189,356              | 180,809              |
| Long-Term Debt                                         | 183,186 <sup>(1)</sup>                | 8,483 <sup>(2)</sup> | 1,621 <sup>(3)</sup> |
| Net Earnings (Loss)                                    | (14,954)                              | 1,129                | (5,216)              |
| Net Earnings (Loss)<br>per common share <sup>(4)</sup> | (0.19)                                | 0.02                 | (0.07)               |

Notes:

- (1) Comprised of amounts owing under the Facility, the liability portion of convertible debt and obligations under capital leases and on purchased property.
- (2) Comprised of amounts owing under obligations under capital leases and on purchased property.
- (3) Comprised of amounts owing under obligations on purchased property.
- (4) The per share earnings (loss) figures are the same on an undiluted and fully diluted basis.

Aur paid a dividend of Cdn. \$0.05 per common share on each of June 30, 1999 and June 30, 1998, such dividends being the only dividends paid by Aur since its incorporation. In order to maximize its cash balances and therefore minimize the need to raise capital to finance the QB Acquisition, Aur did not pay any dividends in 2000. Subsequent to 2000, it is envisaged that annual dividends will be recommenced in such amounts and at such time as Aur's financial resources, level of indebtedness and/or other factors warrant such commencement.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations for Aur's last two fiscal years, which is contained in Aur's 2000 Annual Report under the heading "Management's Discussion and Analysis", is incorporated herein by reference.



## DIRECTORS AND OFFICERS

The directors and officers of Aur are as follows:

| <u>Name and Municipality of Residence</u>       | <u>Current Position with Aur</u>              | <u>Principal Occupation for Past Five Years</u>                                                                                                                                                                                                                   | <u>Director Since</u> |
|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| James W. Gill<br>Toronto, Ontario               | President, Chief Executive Officer & Director | President and Chief Executive Officer of Aur                                                                                                                                                                                                                      | 1981                  |
| Norman B. Keevil<br>Vancouver, British Columbia | Director                                      | President and Chief Executive Officer of Teck, a mining company                                                                                                                                                                                                   | 1992                  |
| William J.A. Kennedy<br>Grafton, Ontario        | Director                                      | Consultant                                                                                                                                                                                                                                                        | 1984                  |
| Martin Claude Lepage<br>St. Lambert, Québec     | Director                                      | Barrister and Solicitor, Partner of Stikeman Elliott, Barristers and Solicitors                                                                                                                                                                                   | 1985                  |
| Peter N. McCarter<br>Toronto, Ontario           | Vice-President, Secretary & Director          | Vice-President of Aur                                                                                                                                                                                                                                             | 1985                  |
| William J. Robertson<br>Calgary, Alberta        | Director                                      | Retired Executive since December, 2000; prior thereto, Executive Vice-President and Chief Operating Officer of Agrium Inc., a fertilizer company, since January, 1998; prior thereto, Sr. Vice-President and Chief Operating Officer of Cominco, a mining company | 1992                  |
| Howard R. Stockford<br>Toronto, Ontario         | Executive Vice-President & Director           | Executive Vice-President of Aur                                                                                                                                                                                                                                   | 1984                  |
| Leo J. Thibodeau<br>Windsor, Ontario            | Director                                      | Retired Executive                                                                                                                                                                                                                                                 | 1981                  |
| Ronald P. Gagel<br>Mississauga, Ontario         | Vice-President and Chief Financial Officer    | Vice-President and Chief Financial Officer of Aur since February, 1999; prior thereto, Vice-President, Finance of Aur                                                                                                                                             | n/a                   |
| Kathryn J. Noble                                | Assistant Secretary                           | Assistant Secretary of Aur since August, 1997; prior thereto, Executive Assistant to the President of Aur                                                                                                                                                         | n/a                   |

Each director is elected to hold office until the next annual meeting of shareholders of Aur or until his successor is elected or appointed.

The percentage of common shares of Aur beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and senior officers of Aur as a group was 2.3% as at December 31, 2000. All 2,000,000 Class B shares of Aur are beneficially and directly owned by James W. Gill, an officer and director of Aur.

Committees of Aur's board of directors consist of the audit committee and the compensation committee. The members of each such committee are Messrs. Lepage, Kennedy and Thibodeau. Additional information with respect to such committees is contained in the Management Information Circular of Aur dated February 28, 2001.

## **STOCK EXCHANGE LISTING**

The common shares of Aur are listed for trading on The Toronto Stock Exchange.

## **ADDITIONAL INFORMATION**

Aur will provide, upon request to its Secretary, at Suite #2501, 1 Adelaide Street East, Toronto, Ontario, M5C 2V9:

- (a) when its securities are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of its securities:
  - (i) one copy of this Annual Information Form;
  - (ii) one copy of its comparative consolidated financial statements for its year ended December 31, 2000 and auditors' report thereon;
  - (iii) one copy of its interim consolidated financial statements issued subsequent to December 31, 2000;
  - (iv) one copy of its Management Information Circular dated February 28, 2001 in respect of its 2001 annual meeting of shareholders; and
  - (v) one copy of any other documents that are incorporated by reference into the aforementioned short form or preliminary short form prospectus; and
- (b) at any other time, one copy of the documents referred to in (a) (i), (ii), (iii) and (iv) above.

Additional information, including details as to directors' and officers' remuneration, principal holders of Aur shares, options to purchase Aur shares and certain other matters is contained in the Management Information Circular of Aur dated February 28, 2001. Additional financial information is provided in Aur's comparative consolidated financial statements for its year ended December 31, 2000.

Copies of Aur's above and other disclosure documents may also be examined and/or obtained through the Internet by accessing Aur's website at [www.aurresources.com](http://www.aurresources.com) or by accessing the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).