

**VICEROY RESOURCE CORPORATION**

Annual Information Form  
For the year ended December 31, 1998

**Dated May 14, 1999**

**Viceroy Resource Corporation**  
Annual Information Form

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# Viceroy Resource Corporation

## Annual Information Form

### ITEM 1: THE COMPANY

#### GENERAL

Viceroy Resource Corporation (“Viceroy” or the “Company”) was incorporated on October 27, 1980 under the name “Viceroy Petroleums Ltd.”, pursuant to the laws of the Province of British Columbia. On April 6, 1984 Viceroy Petroleums Ltd. amalgamated with B & B Resource Inc., which was incorporated pursuant to the laws of the Province of British Columbia and held mining interests in the United States. The amalgamated company has continued operations as “Viceroy Resource Corporation”.

Viceroy carries out its principal business in the United States through its wholly-owned subsidiary, Viceroy Gold Corporation (“Viceroy Gold”), a Delaware corporation. As a result of a merger of Viceroy, Loki Gold Corporation (“Loki”) and Baja Gold, Inc. (“Baja”) in May 1996, Viceroy holds indirectly, through its wholly-owned subsidiary, Viceroy Minerals Corporation (“VMC”), formerly VLB Resource Corporation, a British Columbia company, property interests and rights in the Yukon Territory and Mexico. Viceroy carries out its exploration activities in Argentina through its indirectly owned subsidiary, Minas Argentinas S.A. (“MASA”), an Argentine corporation. In addition, Viceroy pursues exploration opportunities through its wholly owned subsidiaries, Viceroy International Exploration, Inc. (“VIE”), a Nevada corporation and Viceroy Exploration (Canada), Inc. a Yukon corporation.

Unless the context otherwise indicates, reference to the term “VMC” includes Viceroy Minerals Corporation, its predecessor companies Loki and Baja, and its subsidiaries, even if VMC had not been formed at the time in the case of matters relating to Loki and/or Baja. See “Intercorporate Relationships”.

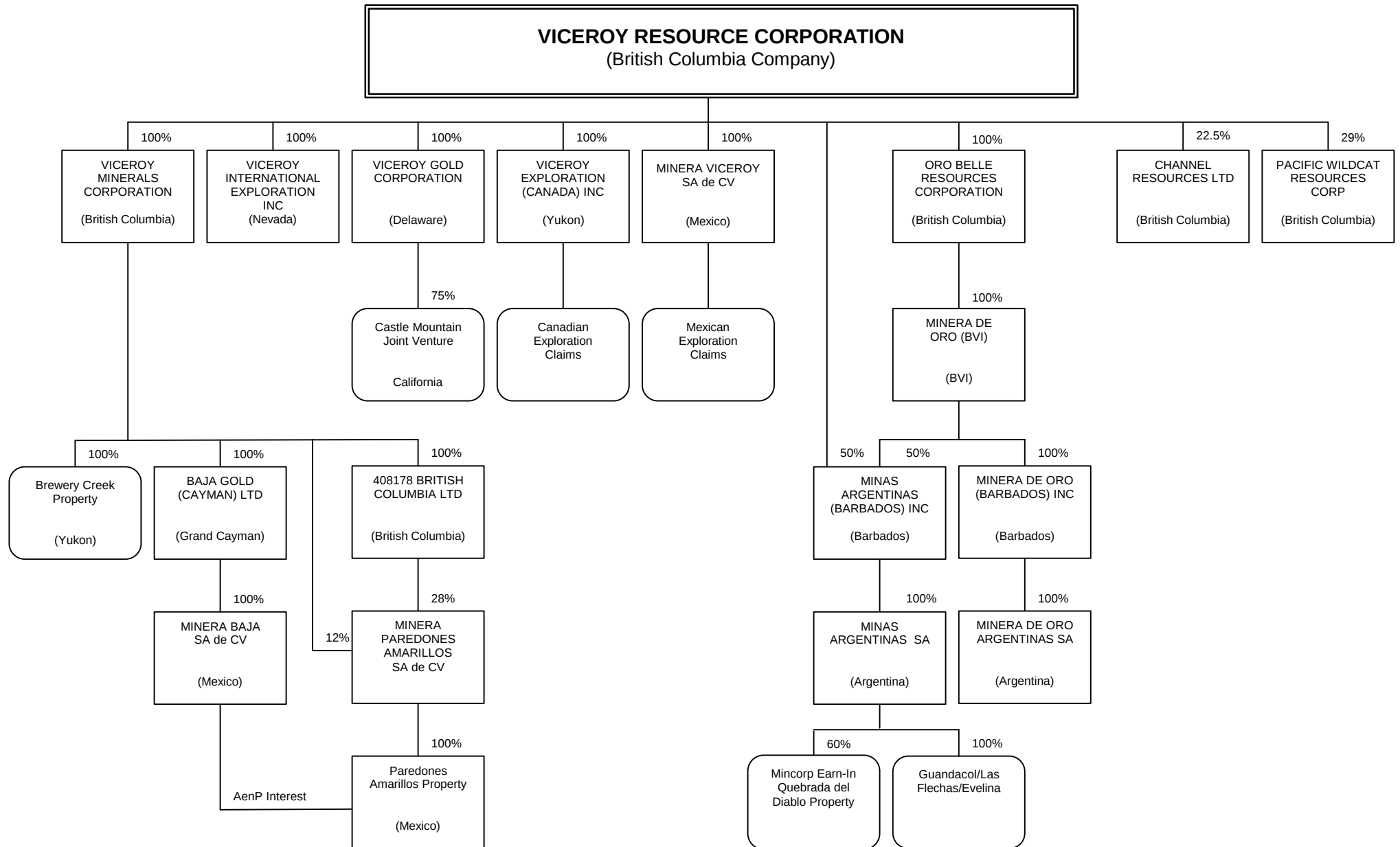
Viceroy is a reporting issuer in British Columbia, Ontario, Manitoba, Northwest Territories, Alberta, New Brunswick, Saskatchewan and Quebec, and its common shares have been listed for trading on the Toronto Stock Exchange (the “TSE”) since February 11, 1986.

The registered office and principal place of business of Viceroy are located at Suite 2200, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

#### INTERCORPORATE RELATIONSHIPS

Unless the context otherwise indicates, reference to the term “Viceroy” or “Company” includes Viceroy Resource Corporation and its subsidiaries. The following summarizes the corporate structure and principal assets of Viceroy.

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**ITEM 2: BUSINESS OF VICEROY RESOURCE CORPORATION**

Viceroy is a natural resource company actively involved in the acquisition, exploration, financing, development and operation of mineral properties. Viceroy, through its wholly-owned subsidiary, Viceroy Gold, has undertaken exploration, drilling and other programs designed to define and develop the ore bodies at the Castle Mountain property (the "Castle Mountain Property") in San Bernardino County, California and Clark County, Nevada. On March 7, 1991, Viceroy Gold and MK Gold Company ("MK Gold") formed a California general partnership, the Castle Mountain Venture (the "Venture") to construct a mine (the "Castle Mountain Mine") on a 4.5 square mile portion (the "Original Venture Property") of the Castle Mountain Property and to further develop and explore the Original Venture Property. Viceroy Gold holds a 75% interest in the Venture, and MK Gold holds the remaining 25% interest in the Venture. By an agreement dated December 19, 1995, Viceroy Gold's 100% ownership of an additional 60 square miles, comprising the remainder of the Castle Mountain Property, was conveyed to the Venture. Construction and preproduction mining activities at the Castle Mountain Mine commenced in June 1991. Commercial production commenced on April 1, 1992.

As a result of the merger of Viceroy, Loki and Baja in May 1996, Viceroy holds indirectly, through its wholly-owned subsidiary, VMC, a 100% interest in the Brewery Creek Mine located in the Yukon Territory, which is currently in production, and a 40% interest in the Paredones Amarillos Property located in Mexico, which has had a final feasibility study completed. See "Properties of Viceroy". Construction and pre-production mining activities at the Brewery Creek Mine commenced in August 1995 and final construction activities were completed in September 1996. Commercial production commenced on May 1, 1997.

VMC will continue to carry out exploration and development work on the Brewery Creek property. Viceroy will also continue to search for other advanced stage gold projects in the Americas. Over the course of the past several years, Viceroy has launched offshore exploration initiatives through Minas Argentinas S.A. de C.V. and Pacific Wildcat Resources Corp. which are carrying out exploration in South America and Southeast Asia, respectively, and by investing in and financing exploration expenditures of Channel Resources Ltd., which is carrying out exploration in West Africa. See "Properties of Viceroy" herein.

Viceroy's principal assets are its 75%-owned Castle Mountain Mine, San Bernardino County, California, a 100% interest in the Brewery Creek Mine, Yukon Territory, a 40% interest in the Paredones Amarillos Property, Mexico and an option to acquire a 60% interest in the Quebrada del Diablo Property, Argentina. For further particulars on the Castle Mountain Mine, Brewery Creek Mine, the Paredones Amarillos Property and the Quebrada del Diablo Property, see "Properties of Viceroy" herein.

**ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS****OPERATING MINES/RISK FACTORS*****Product***

The principal product produced by Viceroy's operating mines is gold. Gold can be readily sold on numerous markets throughout the world and it is not difficult to ascertain its market price at any particular time. As a result of a large number of available gold purchasers, Viceroy is not dependent upon any one customer for the sale of its gold.

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Doré (bars of impure gold and silver) is transported from the mine sites to commercial refineries by commercial armoured truck. Doré is refined at the refineries under service contracts at competitive rates. Refined metal is sold under forward sales contracts or on the spot market to commercial bullion dealers.

### ***Competitive Nature of the Mining Industry***

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. Viceroy competes with other mining companies, many of which have greater financial resources than Viceroy, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

### ***Operating Hazards and Risks***

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which Viceroy has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of gold and other metals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. Although Viceroy maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Viceroy could incur significant costs that could have a materially adverse effect upon its financial condition.

### ***Environmental Factors***

The Castle Mountain and Brewery Creek leaching operations employ toxic chemicals. The processing facilities that use these chemicals were constructed and are being operated and maintained in accordance with government-approved procedures and specifications. Historically, these procedures and specifications have been amended by legislative action. There is no assurance that future changes, if any, will not adversely affect subsequent operations and profitability on Viceroy's properties. Surety bonds and other financial assurances in the principal amount of US\$2,405,000 and CDN\$6,465,000 have been posted at Castle Mountain and Brewery Creek, respectively, to ensure that the financial resources needed for reclamation at those operations will be available. These bonds are reviewed by the government agencies at regular intervals, and could be subject to significant increases in principal amount in the future due to changes in law, regulations, size of operations or other factors which Viceroy cannot predict. In the case of the Castle Mountain bonds, release of the bonds is conditional upon measurable success in achieving revegetation standards. In the event these standards are not met, the bonds will not be released by the agencies holding them.

### ***Recovery and Reserve Estimates***

The ore reserve, resource and mineral deposit figures included herein have been carefully prepared by Viceroy. However, these amounts are estimates only and no assurance can be given that any particular level of recovery of gold or other mineral from ore reserves will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable ore body which can be legally and economically exploited. Estimates of reserves, resources, mineral deposits and production costs can also be affected by such factors as environmental

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permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of projects. Ore reserves are reported as general indicators of mine life. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation of ore reserves and corresponding ore grades being mined or dedicated to future production. Until the ore is actually mined and processed, ore reserves and ore grades must be considered as estimates only. In addition, the quantity of reserves may vary depending on metal prices. Any material change in reserves, or grades or stripping ratios will affect the economic viability of the projects. There can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated under on-site conditions or during production.

### ***Human Resources***

Viceroy employs 18 people at head office in Vancouver, British Columbia. There are approximately 155 full-time employees currently working at the Castle Mountain Mine consisting of approximately 85 employed by Viceroy Gold and 70 employed by MK Gold, the contract mining company. There are approximately 55 full-time employees and 100 seasonal full-time employees at the Brewery Creek Mine employed by VMC. None of the employees of the aforementioned companies are represented by a labour union. Viceroy has experienced no loss of production due to work stoppages and considers its relations with its employees to be satisfactory. Viceroy is in the process of considering the implementation of a gainsharing program at each of its mine sites.

### ***Forward Looking Statements***

Statements contained in this Annual Information Form that are not historical facts are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Without limiting the generality of the foregoing, such risks and uncertainties include interpretation of drill results, the geology, grade and continuity of mineral deposits, results of pre-feasibility and feasibility studies, recovery, accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production, delays in exploration or development activities, political risks involving doing business in other nations and the policies of these other nations, the inherent uncertainty of production fluctuations and failure to obtain adequate financing on a timely basis.

### ***Year 2000 Risk***

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to systems failure.

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Viceroy uses relatively simple systems for the compilation and preparation of financial, operating and administrative information. The core business of Viceroy is not reliant upon complex information technology or highly automated process logic control systems. However, Viceroy has, in any event, completed an internal review process which evaluated, tested and, if necessary, modified all current computer systems with respect to year 2000 compliance. Viceroy defines year 2000 compliance as having systems in place that will not be adversely affected by dates prior to, during or after January 1, 2000, as well as correctly processing the fact that the year 2000 is a leap year. The analysis included operating systems, hardware platforms, software platforms and devices with time data. All active software and hardware at each mine site, regional office and head office of Viceroy have been thoroughly tested and made year 2000 compliant.

In addition to the foregoing, during 1998, Viceroy embarked upon a process of ensuring that key suppliers were addressing year 2000 impact issues. To date, information with respect to year 2000 compliance obtained from on site testing and responses from key suppliers indicate that 68% are year 2000 compliant, 20% will be compliant in early 1999 and 12% operate independently of date and time. Viceroy is continuing to monitor this issue with those key suppliers that are not yet year 2000 compliant and is in the process of developing contingency plans should certain suppliers fail to properly remediate their computer systems. Such contingencies could involve changing suppliers to year 2000 compliant suppliers before December 31, 1999. It is not possible to be certain that all aspects of the year 2000 issue affecting Viceroy, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. The costs incurred to make Viceroy year 2000 compliant were not material and were expensed as incurred.

## **PROPERTIES OF VICEROY**

### ***Castle Mountain Mine***

#### *Ownership*

The Castle Mountain Property consists of approximately 1,357 claims covering approximately 20 square miles. The Original Venture Property is located on 4.5 square miles of land in San Bernardino County, California. Seven patented claims and three patent applications encompass all of the currently mineable ore reserves. Most of the mining claims are subject to production-based net smelter return royalty payments and other royalty payments, which include annual rental or advance royalty payments. Viceroy owns a 75% interest in the Castle Mountain Property through Viceroy Gold's interest in the Venture.

#### *Location and Access*

The Castle Mountain Property is located 105 kilometres south of Las Vegas, Nevada, near the eastern edge of the Mojave Desert in San Bernardino County, California. The main access route to the Castle Mountain Mine consists of a 30 kilometre gravel road maintained by Viceroy Gold, which connects the minesite to Nevada State Highway 164, seven miles west of Searchlight, Nevada.

The Castle Mountain Property lies within the Mojave Desert and exhibits most of the features characteristics of the region. Climatic conditions are, in general, well suited for a continuous heap leach operation. Freezing conditions are rare, rainfall is low, averaging less than 25

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centimetres per year at Searchlight, Nevada, and the hot desert temperatures are moderated by the Castle Mountain Property's elevation at over 1280 metres above sea level. Vegetation in the area is sparse and consists of slow-growing desert species. The lack of a permanent open water source limits the wildlife population.

### *Processing*

The Castle Mountain Mine is currently in operation and mined 3,487,000 tonnes of ore for the year ended December 31, 1998.

Ore is mined by conventional, large scale, open-pit truck/loader methods with ore segregated according to gold content. Ore grading in excess of 0.517 grams of gold per tonne is trucked to a three-stage crushing plant and reduced to 80% passing a 3/8 inch particle size. Crushed ore grading less than 2.41 grams of gold per tonne is conveyed directly to an agglomerating drum where lime and barren solution are added to bind fine ore particles to coarser ore particles, to ensure good percolation will be achieved on the leach pad. That portion of the ore grading in excess of 2.41 grams of gold per tonne is crushed in campaigns, and sent to the fine ore stockpile for grinding and agglomeration to recover additional gold. The grinding circuit is currently idled.

After agglomeration, the ore is conveyed onto the leach pad for stacking on a synthetic plastic membrane. The ore is stacked on leach pads in 30-foot lifts, to a total of 150 feet high, using a conveyor radial stacker and leached for a minimum of 120 days. Spent ore remains on the pads and, prior to reclamation, will be subject to a detoxification program including neutralization and rinsing.

A dilute sodium cyanide leaching solution is distributed across the top of the heap by drip irrigation. After percolating throughout the heaps, the gold-bearing "pregnant" solution collects on the pad liner and is channelled through pipes to a pregnant solution storage tank before being pumped to the recovery plant.

The pregnant solution is circulated through carbon columns containing activated charcoal, on which the gold is adsorbed. Barren solution is then recharged with cyanide, sent to the barren solution tank and pumped back to the heap. The process is a "zero-discharge operation" with all of the solution recycled, with the exception of evaporation losses and retention by fines.

The gold-bearing carbon is chemically stripped to release the gold and is reactivated and recycled. The gold-bearing strip solution is treated by electrowinning to recover gold and silver on steel wool cathodes. After electrowinning, gold and silver deposited on the cathodes are removed with high pressure water sprays, filtered and retorted to remove small amounts of mercury. The material is melted in a propane fired furnace and a doré bar is produced. The doré is shipped to commercial precious metal refineries, where the gold is separated from the silver and both metals are made ready for sale.

Mining is carried out by MK Gold under contract. The crushing, grinding, agglomeration, leaching and gold recovery operations are carried out by Viceroy Gold employees, as are the production planning, grade control supervision, surveying, assaying, plant maintenance, marketing, purchasing, accounting, reclamation and ongoing exploration activities.

In July 1993, the Venture completed construction of an additional processing facility (the "Supplemental Grinding Mill") for the treatment of 397,280 tonnes per year of the higher-grade

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ore (grading in excess of 2.41 grams gold per tonne). The facility has resulted in estimated gold recoveries as high as 93% of the higher-grade ore. The facility was built at a capital cost of US\$6,800,000 and is currently idled during stockpiling of higher grade ore for treatment in 2000.

Ore to be treated in the Supplemental Grinding Mill is withdrawn from the fine ore stockpile and conveyed to the grinding mill where it is ground to 80% minus 100 mesh in a dilute sodium cyanide solution. A portion of the grinding mill discharge is sent to a gravity circuit to recover the coarser gold particles. The ground ore slurry discharging from the grinding mill is thickened and filtered. The filtrate and overflow solution is sent to the existing carbon columns where the gold is recovered on activated charcoal. The filter cake, which still contains appreciable quantities of gold, is slurried and pumped to the agglomerating drum and agglomerated with lime, barren solution and the lower-grade, heap-leach ores. After agglomeration, the material is conveyed to the leach pad for additional leaching using the heap-leach procedures.

### *Reserves and Resources*

Management of Viceroy Gold estimated open-pit mineable reserves at the Castle Mountain Mine as at December 31, 1998 of 8,865,900 tonnes of ore at an average grade of 1.26 grams per tonne ("g/tonne") for total contained ounces of approximately 358,000 of which 268,500 ounces are attributable to Viceroy.

Ore reserve estimates are adjusted annually by Viceroy Gold by the amount extracted in the previous year, by the additions and deletions resulting from mining, new geological information and interpretation and from changes in operating costs and metal prices. Ore reserve estimates are not revised in response to short-term cyclical price variations in metal markets. The reserves are based on mining cash costs of US\$0.71 per tonne with a cut-off grade of 0.52 g/tonne.

### *Gold Production*

Annual gold production is summarized in the following table. Quantities shown represent total production for the Castle Mountain Mine. Cash costs per ounce of gold produced have been normalized for stripping costs. Costs associated with stripping quantities in excess of the average stripping ratio for the life of the mine are deferred and charged to operations in periods when the stripping quantities are less than mine-life average. The following table sets out the cash costs on a per-ounce basis.

| <u>Year ended March 31</u> | <u>Gold Production Costs</u>   |                                 |
|----------------------------|--------------------------------|---------------------------------|
|                            | <u>Ounces of Gold Produced</u> | <u>Cash Cost Per Ounce (US)</u> |
| 1993                       | 104,105                        | \$ 196                          |
| 1994                       | 150,907                        | \$ 207                          |
| 1995                       | 168,190                        | \$ 162                          |
| 1996                       | 147,112                        | \$ 194                          |
| 1996 <sup>(1)</sup>        | 87,612                         | \$ 283                          |
| 1997 <sup>(2)</sup>        | 122,403                        | \$ 288                          |
| 1998 <sup>(3)</sup>        | 89,136                         | \$ 323                          |

(1) For the nine months ended December 31, 1996. In 1996, Viceroy changed its financial year end from March 31 to December 31.

(2) For the twelve months ended December 31, 1997.

(3) For the twelve months ended December 31, 1998.

### *Exploration*

In 1998, the Venture allocated a budget of US\$250,000 to test defined targets and maintain the current land position. All exploration at Castle Mountain was suspended in May 1998 after follow-up of geochemical and geophysical anomalies at the North Rim and Green & Gold target areas.

### **Brewery Creek Mine**

#### *Ownership*

VMC owns certain mineral claims and mining leases located in the Yukon Territory known as the Brewery Creek Property. The Brewery Creek Mine, covering an area approximately 8 by 16 kilometres or 16,160 hectares lying north of the South Klondike River, consists of 801 mineral quartz claims and fractions held under the provisions of the Yukon Quartz Mining Act. 83 claims are surveyed and have been converted to "Quartz Mining Leases", 76 of the mining leases expire on May 21, 2016 and 7 expire on May 24, 2018. An additional 10 claims are under application to take to lease. The Brewery Creek Mine is subject to two royalties on mineral production, one in favour of Hemlo Gold Mines Inc. ("Hemlo") and the other a 5% net profits royalty in favour of Energold Minerals Inc. VMC has negotiated the terms of a Socio-Economic Accord with Tr'on dek Hwech'in First Nation which confers on that group certain rights with respect to the Brewery Creek Mine.

#### *Location and Access*

The Brewery Creek Mine is located 55 kilometres due east of Dawson City, Yukon. Access is via the paved Klondike Highway east from Dawson City for about 40 kilometres to Dempster Corner, then about six kilometres northeast on the Dempster Highway and then eastward on a new gravel access road to the project site.

The terrain in this region is moderate to locally steep, with several deeply incised stream valleys. Elevations in the area of the presently known orebodies and mineralized zones vary from about 550 metres along the South Klondike River to over 1,200 metres at the highest point.

Climatic conditions are typical for northern interior regions with most precipitation in the form of rain in summer. Average annual precipitation is in the order of 325 millimetres ("mm"). Temperatures are extreme, with warm summers and prolonged winters with severe cold spells. Daily temperatures at the site are expected to be above freezing from early April to late September or early October; the most severe conditions are in January and February, averaging about -22°C. The frost free period at Dawson City averages 111 days, which is comparable to that at some high altitude heap leach mining operations in Montana and Idaho. The Brewery Creek Mine is characterized by northern boreal forest. Discontinuous permafrost occurs in poorly drained areas and on some north facing slopes, but it is not anticipated that permafrost will be a concern in mining most of the presently defined ore.

#### *Seasonal Operations*

The Brewery Creek Mine is a seasonal operation in which active mining operations occur between the months of April and October of each year. First quarter production is lower as solution is being applied to ore that has been under leach for more than five months. Cash cost per ounce is high in the first quarter reflecting relatively fixed process and site general and

administrative costs against lower production. Second and third quarters typically have high capital construction costs. By August of each year, approximately \$9,000,000 will have been consumed by year-to-date operating and capital costs in excess of revenues at spot market prices.

Benefits of new leach pad space begin to be realized in August as new ore is placed on the initial lift. The final two quarters of the year generally produce in excess of 75% of the annual production, recovering essentially all of the cash costs incurred during the year. The table on the next page depicts the seasonality of gold production at the Brewery Creek Mine for the years 1997 and 1998.

### *Processing*

The Brewery Creek Mine process facility consists of a large permanent heap leach pad, and adsorption, desorption and gold recovery ("ADR") plant, process and overflow ponds and ancillary facilities. The facilities employ conventional procedures which are operating to design capacity.

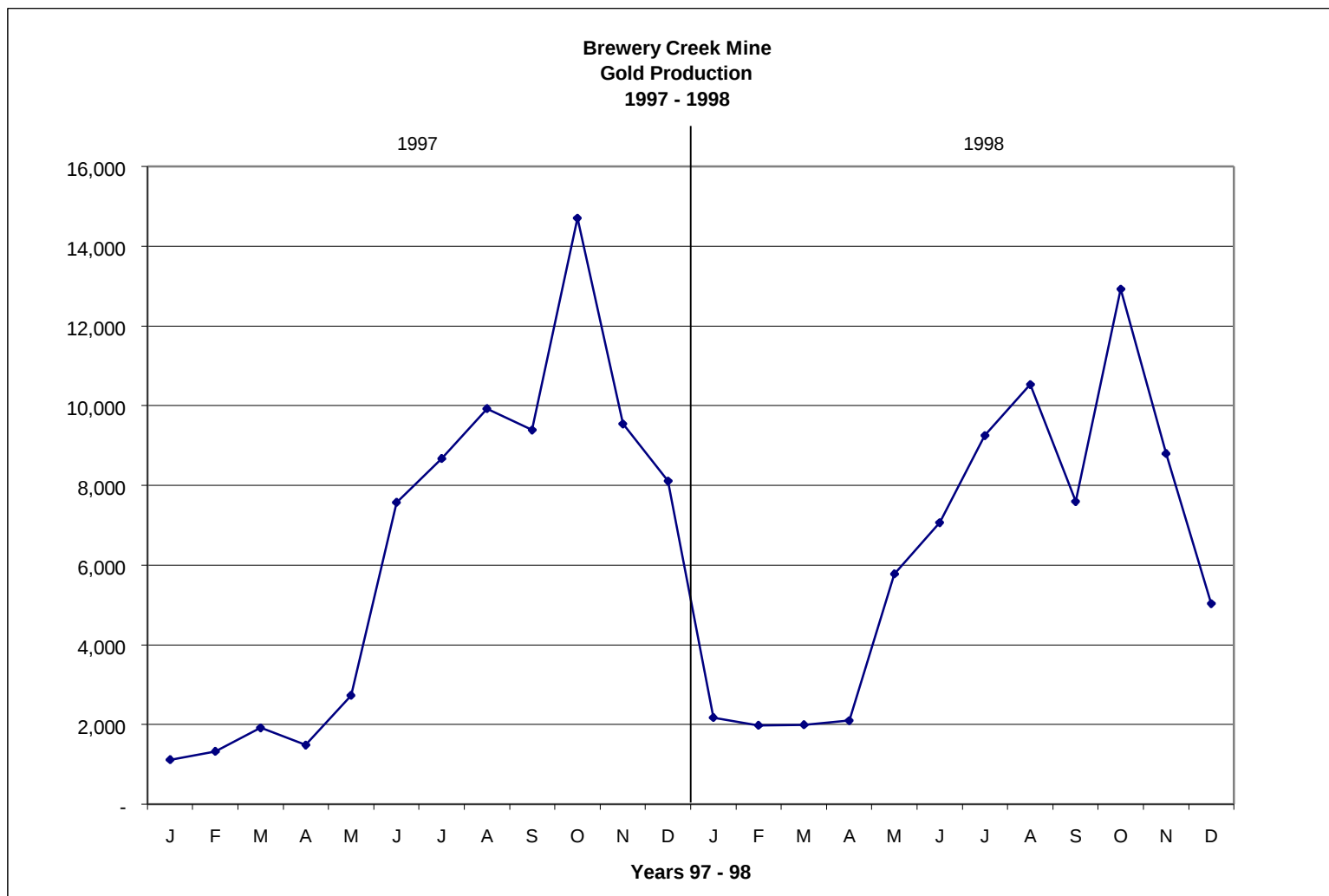
The leach pad is divided into discrete cells, each nominally 83 metres wide and 462 metres long. Each cell can accommodate approximately 1,500,000 tonnes of ore. The cells are separated by earthfill dividers, approximately one metre high. The final leach pad area will encompass approximately 460,000 square metres.

A liner system was installed under the heap to collect process solution and direct it to the recovery plant, as well as to prevent any leakage to the environment. The liner system consists of multiple layers, as follows from the top down:

- a granular overliner of 1,000 mm of plus 6.4 mm minus 25 mm screened ore;
- a 1.00 mm thick polyvinyl chloride ("PVC") geomembrane – the primary liner;
- a 300 mm thick compacted silt layer;
- a geotextile;
- the granular leak detection and recovery system ("LDRS") made up of screened minus 25 mm aggregate;
- a 0.75 mm thick PVC geomembrane – the secondary liner; and
- a compacted silt layer with a minimum thickness of 300 mm.

An LDRS was placed beneath the upper compacted silt layer to collect any leakage which might occur. Each of the pad cells are divided into four sections, each of which are furnished with its own leak collection pipes.

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A pregnant solution pond and a barren solution pond are utilized. Overflow pond capacity is included in the plan with overflow pond #1 built in 1995/1996. Design capacities are based on full heap draindown and snow melt from a 100 year snowpack. The Company believes that a second overflow pond may not be necessary to accommodate this criteria when heap washing commences. The overflow sequence is from the pregnant pond to the barren solution pond to the overflow ponds. The water management plan is based on the zero-discharge concept.

Solution ponds are required to store both operating solutions and the rainfall/snowmelt from the pad area. In the unlikely event that the solution volumes exceed the maximum design criteria, fluid will be released through an emergency spillway, which is a lined open channel. The final effluent solution could be treated by chemical means to destroy residual cyanide if necessary. Thereafter, the solution detoxification circuit could be used for this purpose. Given sound solution management and the normal operational controls, the probability of an overflow is considered to be remote.

All of the ponds are lined; the pregnant and barren solution ponds with a double high density polyethylene ("HDPE") system and the overflow pond with a single composite liner. Both the pregnant and barren ponds are LDRS-equipped using a "Geonet" material between the synthetic liners. The design of the ponds is conventional and is considered satisfactory for the intended service.

### *Reserves and Resources*

Early reserve estimates and calculations of total amounts of mineralization at the Brewery Creek Mine confirmed that a large aggregate tonnage of potentially economic grade was contained within eight separate zones. The reserve estimates as of December 31, 1998 comprise 11,761,000 tonnes of ore at an average grade of 1.13 g/tonne of gold for total contained ounces of 426,000. An additional estimated resource of 27,597,746 tonnes has been calculated at an average grade of 0.92 g/tonne for total ounces of 815,850.

### *Gold Production*

Annual gold production is summarized in the following table. Quantities shown represent total production for the Brewery Creek Mine. Cash costs per ounce of gold produced have been normalized for stripping costs. Costs associated with stripping quantities in excess of the average stripping ratio for the life of the mine are deferred and charged to operations in periods when the stripping quantities are less than mine-life average. The following table sets out the cash costs on a per-ounce basis.

| <u>Year ended December 31</u> | <u>Gold Production Costs</u>   |                                 |
|-------------------------------|--------------------------------|---------------------------------|
|                               | <u>Ounces of Gold Produced</u> | <u>Cash Cost Per Ounce (US)</u> |
| 1996 <sup>(1)</sup>           | 10,175                         | \$ N/A <sup>(1)</sup>           |
| 1997 <sup>(2)</sup>           | 66,545                         | \$ 184                          |
| 1998                          | 79,396                         | \$ 177                          |

(1) First gold pour was completed on November 15, 1996.

(2) Commercial production commenced on May 1, 1997.

### *Exploration*

Exploration in 1997 and 1998 added 531,000 ounces of gold to the resource at the Brewery Creek Mine. New resources were added at the Lucky, Bohemian, Classic and North Slope Zones. Through visual assessment, more than 50% of the resource is classified as oxide mineralization, however, subsequent metallurgical test work will refine this classification.

Exploration drilling adjacent to the Lucky Zone defined 1.7 million tonnes grading 2.63 g/tonne of gold, 40% of which is classified as oxide. Sulphide intercepts of up to 3.35 g/tonne of gold over 12 metres remain open down-dip to the southwest.

Drilling, trenching and mapping in the Classic Zone has defined a new oxide resource of 10.9 million tonnes grading 0.52 g/tonne of gold. There is favourable potential to delineate additional mineralization as only 20% of a five kilometre long soil anomaly has been tested.

At the North Slope Zone, a new sediment-hosted resource of 2,200,000 tonnes grading 2.01 g/tonne of gold has been defined. Mineralization is hosted within calcareous siltstones and exhibits localized decalcification and silica replacement similar to Carlin-type deposits. Newly discovered north-northwest high-angle imbricate faults may control deep intrusive fault breccia intercepts of 2.67 g/tonne of gold over 14 metres, providing an underexplored structural control for sulphide mineralization.

Exploration drilling, trenching and mapping at the Bohemian Zone defined mineralization similar to deposits of the Reserve Trend. A new oxide resource (96% of which is classified as measured) of 1,100,000 tonnes at 1.27 g/tonne of gold has been defined and remains open along strike. Sulphide intercepts of 15 g/tonne of gold over 12 metres and oxide intercepts of 3.2 g/tonne of gold over 24 metres remain open along strike.

Along strike east of Bohemian in the Schooner Zone, trenching returned up to 1.27 g/tonne of gold over 66 metres in oxidized monzonite and 1.77 g/tonne of gold over 12 metres in calcareous siltstones. Structural controls appear to be high-angle northeast and east-southeast normal faults providing a new structural target for higher grade sulphide feeder zones and replacement mineralization at depth.

Exploration in 1999 will focus on expanding oxide resources in the Bohemian and Schooner Zones as well as higher grade sulphide potential in the North Slope and Schooner Zones. Formal signing of the Socio-Economic Accord with the Tr'on dek Hwech'in First Nation in early September 1997 enabled exploration in 1998 of land claims covering potential extensions of the Brewery Creek deposits. The Accord provides Viceroy with an exclusive right for a period of seven years to conduct exploration on adjacent land claims totalling 455 square kilometres. With cooperative funding from Viceroy, the Geological Survey of Canada completed a regional airborne geophysical survey covering the Brewery Creek Mine area and surrounding land claims. Analysis of that data is in progress.

### ***Paredones Amarillos Property***

#### *Ownership*

The Paredones Amarillos gold property (the "Paredones Amarillos Property") located on the Baja Peninsula, Mexico, consists of an area of 12,757 hectares held through 16 mining concessions of which six mining concessions, the San Antonio concession, the Maile

concession, the Julia concession, the La Rica concession, the La Dificultad concession and the Tocopilla concession cover an area of approximately 2600 hectares. The Paredones Amarillos deposit is located on the San Antonio concession. Thirteen of the concessions have been approved for exploration, two for exploitation and one is pending. The concessions provide the legal right to proceed with mining activities. All 16 concessions are held by Minera Paredones Amarillos, S.A. de C.V. ("MPA").

Echo Bay Mexico S.A. de C.V. ("Echo Bay Mexico") and VMC agreed that the interests in the Paredones Amarillos Property should be held by MPA with Echo Bay Mexico holding 60% of the issued shares of MPA and VMC holding directly 12% of the issued shares of MPA and indirectly through its wholly-owned subsidiary, 408178 British Columbia Ltd. (408178), 28% of the issued shares of MPA. On May 20, 1996, Echo Bay Mexico, VMC and 408178 entered into a shareholders agreement (the "MPA Shareholders' Agreement") to govern the future operations of MPA and the Paredones Amarillos Property.

Pursuant to the MPA Shareholders' Agreement, Echo Bay Mexico advanced all necessary funds to pay for VMC's 40% share of exploration and development costs up to the completion of an independent bankable feasibility study on the Paredones Amarillos Property. Funds advanced by Echo Bay Mexico are repayable from 75% of VMC's future share of operating cash flow and accrue interest at a rate of LIBOR plus 2% commencing upon a production decision. After a bankable feasibility study has been received, VMC is responsible for making its proportionate exploration and development payments. The MPA Shareholders' Agreement provides that if the ownership of a shareholder in MPA is reduced to less than 10%, then that shareholder's interest will be deemed to have been exchanged for a 1% net returns royalty.

At such time as a bank investment-quality feasibility study is completed for the Paredones Amarillos Property, VMC has the option of allowing Echo Bay Mexico to secure project financing for VMC's share of the mine development costs for an additional 5% interest of MPA.

VMC has the right to elect that MPA participate in certain concessions contained within a defined area of mutual interest. Such election is to be made within 60 days of VMC's receipt of the results of an exploration program currently being conducted on a portion of the concessions.

Pursuant to an amending agreement dated December 19, 1997, the parties agreed to amend the MPA Shareholders' Agreement by reducing the management fee payable to Echo Bay Mexico from 5% to 3% of the gross capital and operating expenditures. In consideration thereof, VMC agreed to apply the US\$200,000 to be paid by Echo Bay Mexico as a credit toward the project costs due from VMC and to provide a construction bonus to Echo Bay Mexico in the maximum amount of US\$1,000,000 payable in instalments of US\$200,000 for each US\$1,000,000 that the final capital construction costs for the Paredones Amarillos project is below US\$91,000,000. In addition, the parties agreed to defer a production decision on the Paredones Amarillos project until the spot price of gold has achieved a minimum level of US\$375 per ounce.

#### *Location and Access*

The Paredones Amarillos Property is located 55 air kilometres southeast of La Paz and 86 air kilometres north of Cabo San Lucas, in the southern part of the Mexican state of Baja California Sur. The Paredones Amarillos Property area can be reached from La Paz via either Los Cabos Highway (50 kilometre paved highway, 12 kilometre gravel road, 6 kilometre secondary road), or Todos Santos Highway (45 kilometre paved highway and 16 kilometre secondary road).

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Todos Santos, the nearest town, has limited board and lodging and rudimentary medical, educational and mechanical services. La Paz, on the other hand, is the State capital with a population in excess of 180,000. In addition to a full range of living accommodations, the city can provide modern health, education and communication facilities, as well as an international airport, suppliers of heavy equipment, and an ample labour pool.

### *Reserves and Resources*

The Paredones Amarillos Property has 1,513,000 ounces of reserves (Viceroy's share, 605,200 ounces) at December 31, 1998 consisting of 44,530,000 tonnes of ore at an average grade of 1.057 g/tonne. The reserves were based on a cutoff grade of 0.5 g/tonne. An additional 425,000 ounces of gold is contained in the resource category. The reserves and resources and the cutoff grade were based on a price of US\$375 per ounce of gold. The gold recovery rate is expected to be 91-92%.

### *Project Status*

In July, 1997, Viceroy and Echo Bay Mexico agreed to defer a final production decision on the project until either the gold price improves or reasonable prices can be realized through forward sales.

### *Exploration*

Current reserves at the Paredones Amarillos Property cover only a small area of the large claim block. In 1997, a drill program tested potential extensions east, northeast and south of the main deposit. The first of a three-year program of mapping and sampling on the consolidated claim block was also completed, generating encouraging results. While there is potential to expand reserves, exploration has been suspended for 1999.

### ***Argentine Properties, South America***

Viceroy carries out its exploration in Argentina through an indirectly held 100% interest in Minas Argentinas S.A. ("MASA"). MASA is the owner and operator of a portfolio of mineral properties (the "MASA Properties") in Argentina.

MASA Properties are grouped into three projects, (individually, a "Project" and collectively, the "Projects"), each Project representing one or more holding units that can be collectively developed as a single undertaking.

The following is a summary of the current MASA Properties characterized by Mining Districts specifying the Projects located within each district.

#### 1. Guandacol District

##### *Location and Access*

The Guandacol District refers to an area in northern San Juan Province and southern La Rioja Province, Argentina. The area is located 200 kilometres north of the city of San Juan and is easily accessible throughout the year by paved and dirt roads. The property is located in rugged terrain, with elevations in the project areas ranging from 1,600 to 2,500 metres.

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### *Geology*

The Guandacol District is located along the eastern side of the Central Precordillera geomorphologic province, a narrow north-south trending belt of predominantly sedimentary rocks that extends for almost 700 kilometres across west-central Argentina. The property is underlain by the Upper Cambrian Las Flechas dolomite, Ordovician San Juan limestone and Ordovician clastic sediments of the Trapiche Group and Las Vacas Formation. During Miocene subduction-related deformation, the Palaeozoic sediments were intruded by a dacite porphyry and subsequently thrust above Tertiary redbeds.

Intrusion of the dacite porphyry into the carbonate rocks produced skarn system alteration that is evident throughout much of the Guandacol area. Along the southern dacite-sediment contact the calcareous sediment is commonly altered to garnet skarn. Retrograde alteration along structures is apparent as veins and massive patches of calcite and pyrite, with subordinate quartz, epidote, chlorite and specularite. Gold-bearing mineralization is primarily associated with retrograde alteration minerals.

### *Gualcamayo Project*

The Gualcamayo Project is located in northern San Juan province in the southeastern corner of the Guandacol District that includes 51,565 hectares and encompasses the Gualcamayo Project (minas and cateos held by Mincorp Exploraciones S.A. ("Mincorp") and MASA), the Salamanca Project (100% MASA) and other MASA properties.

### *Mincorp Agreement*

Pursuant to an exploration agreement dated April 18, 1997 between MASA and Mincorp, MASA was granted an option to earn a 60% interest in the Gualcamayo area. The Mincorp Agreement covers 914 hectares of original Mincorp minas surrounded by a 500 metre buffer zone of MASA property for a total of 2,630 hectares, MASA also controls an additional 48,935 hectares surrounding the Mincorp Agreement properties. The agreement requires MASA to spend a total of US\$5,000,000 in exploration over a 5 year period in order to earn the interest. Upon completion of the expenditure, Mincorp has the option to require MASA to:

- (i) purchase Mincorp's entire interest for US\$4,000,000 and a bonus of US\$5.00 for each ounce of gold over 200,000 ounces in measured and indicated geologic resources; or
- (ii) purchase Mincorp's entire interest less a 5% net profits interest for US\$3,000,000 plus a bonus of US\$4.00 for each ounce of gold over 200,000 ounces in measured and indicated geologic resources; or
- (iii) sell to Mincorp an additional 9% for US\$2,000,000 plus a bonus of \$2.00 for each ounce of gold over 200,000 ounces in measured and indicated geologic resources.

### *Previous Work*

The proximal gold skarn mineralization at Gualcamayo was explored by Mincorp (at the Amelia Ines, Magdalena and General Belgrano prospects) between 1983 and 1988. At the Amelia Ines deposit, adits on three levels defined an underground reserve of approximately 1,000,000

tonnes at a grade of 5.8 g/tonne of gold (at a 1 gram per tonne cutoff grade), or 436,062 tonnes at a grade of 9.3 g/tonne of gold (at a 3 gram per tonne cutoff grade). The mineralization remains open at depth. At the Magdalena prospect, skarn alteration defines a tight northwest striking fold. Gold mineralization occurs along shears and fractures that parallel the axial plan of the fold and, therefore, may slightly post-date the folding event.

#### *Sediment-Replacement Gold Mineralization*

Mincorp focused exploration almost exclusively on areas with obvious skarn alteration. Based on a "gold skarn system" model that suggests that the property has potential for more than one style of gold deposit, MASA oriented exploration toward identifying sediment-replacement gold mineralization beyond the skarn alteration zones. An important characteristic of gold skarn systems is that gold mineralization is not necessarily restricted to one deposit type. Proximal gold skarns frequently are accompanied by distal skarn or sediment-replacement deposits located out from the sediment-intrusive contact. The distal styles of gold mineralization are generally larger than proximal types, but tend to erode more easily and are often not well exposed at surface, making these more difficult to find. Within the Gualcamayo Project three areas, Quebrada del Diablo, Omar and Pirrotina, with sediment-replacement style gold mineralization were discovered distal to the skarn alteration zones. These areas are described in more detail below.

##### *(i) Quebrada del Diablo*

Quebrada del Diablo (QdD) is located in the southeastern part of the Gualcamayo Project along the southeast edge of the Mincorp Agreement area of interest. Access is good via four-wheel drive dirt roads up Rio Gualcamayo and Quebrada Varela and then past MASA's base camp and Mincorp's Belgrano adit onto newly constructed access routes into the mouth of QdD. Access to the upper portions of the area is limited by rugged terrain to foot trails and helicopter.

Initial rock sampling in 1997 in the QdD area returned an average of 1.7 g/tonne of gold in an extensive area of limestone and marble breccias. Follow-up sampling by MASA in late 1997 and early 1998 confirmed these initial results and significantly expanded the anomaly to the east where chip sampling 700 metres to the east returned samples averaging 4.0 g/tonne of gold with values to 21.1 g/tonne of gold. Sampling during construction of the new drill access route in September 1998 exposed widespread gold mineralization including 106 metres of 2.39 g/tonne of gold hosted by limestone and marble breccias and a previously unidentified and strongly oxidized and argillically altered feldspar porphyry intrusive breccia.

Drilling was initiated in October 1998 and to date, approximately 5000 metres in 28 holes have been completed. All holes have intercepted zones of significant gold mineralization in fractured limestones and marbles and limestone, marble and intrusive breccias. Higher-grade mineralization was intercepted in holes 2 and 12 with 36 metres of 4.1 g/tonne of gold and 22 metres of 4.0 g/tonne of gold respectively. These higher-grade zones occur within broader zones of lower-grade mineralization. Holes 2 and 12 are located more than 500 metres apart and on strike with the known mineralized trend. Other significant intercepts to date include broad zones of modest-grade gold such as: 136 metres of 0.9 g/tonne of gold in hole 1, 130 metres of 1.12 g/tonne of gold in hole 5, 214 metres of 0.6 g/tonne of gold in hole 6, 145 metres of 0.6 g/tonne of gold in hole 7, 143 metres of 0.6 g/tonne of gold in hole 8 and 230 metres of 0.3 g/tonne of gold in hole 14.

There is a possibility that gold-bearing fines are being lost from the breccia matrix during core and reverse circulation drilling and work is underway to evaluate this problem. Testing to date indicates a preferential concentration of gold in the fine matrix material. In order to ensure maximum recovery of material during reverse circulation drilling, two different types of samples were collected and assayed as part of the program. The first sample was collected every metre as per standard collection procedures, while an additional sample was collected from the return air passed through a second cyclone recovering the fine dust from the hole. Assay results confirm that gold is enriched in the fine material relative to rock chips of the corresponding intervals. The impact of this on assay results, however, has yet to be determined.

A Phase II diamond drill program, using two helicopter supported diamond drill rigs, commenced in March 1999. The US\$2,000,000 program will focus on wide spaced in-fill drilling in the eastern portion of the mineralized zone and test the down dip extension of the zone along its entire strike length. Two holes will also twin reverse circulation drill holes.

Oxidation can extend to more than 200 metres below surface, particularly in fractured limestones and marbles and limestone and marble breccias. Within the intrusives and intrusive breccias, oxidation is less well developed and primary sulphides such as pyrite and realgar are observed. Results of metallurgical work indicate that the oxidized mineralization responds well to cyanide extraction of gold.

*(ii) Omar #1 Zone*

Omar #1 is located 3 kilometres north of QdD. Gold enriched mineralization in the Omar #1 zone has the characteristics of a sediment-replacement skarn system gold deposit. The mineralization is located within permeable sediments beyond skarn and marble alteration zones and the host rock is argillically altered, variably silicified and mineralized with disseminated pyrite. Gold is associated with silver and arsenic enrichment and base metal values are anomalous, but less than 1%. Mapping and sampling indicate that the area has limited potential.

*(iii) Pirrotina Zone*

Pirrotina is located 8 kilometres northwest of the QdD area, where a large zone of pyrrhotite-mineralized conglomerate has been identified. Gold values in most samples of the pyrrhotite-mineralized conglomerate are near background levels. Samples with anomalous gold values are from outcrops cut by west-southwest trending shear zones that may be several metres in width. Sample 10-1174, with 9.95 g/tonne gold, is from a 2 metre west-southwest trending shear. Samples taken from mineralized conglomerate adjacent to the shear have only background gold values. Follow-up mapping and samples indicate limited potential.

*Salamanca*

Salamanca is located in the northeast part of the Guandacol District, primarily in La Rioja Province, and is a zone of sediment-hosted mineralization associated with a north-northwest trending thrust fault that places Upper Cambrian limestone and dolomites on top of Tertiary fine grained clastic rocks (arenites, wackes, mudstones). Significant gold values are primarily hosted in an arenite unit, which has undergone moderate argillic alteration and silicification. The calcareous unit is gold-bearing only when located within the thrust zone (or thrust "wedge"). The limestone-dolomite in the hanging wall of the main thrust does not contain gold, even when it is strongly brecciated and contains some sulphides.

Pyrite, the most common sulphide, is widespread throughout the mineralized zone. It occurs as fine to very fine grains disseminated and along fractures. Pyrite content varies between 1% and 5%, although locally it may increase up to 10-15%. Sphalerite and galena also occur at Salamanca and are general indicators of gold mineralization. The occurrence is disseminated in clots or along fractures and contents range from trace to 1-2%.

During 1986 and 1987, Anglo American conducted an extensive sampling, trenching, and mapping program. They also drilled three core holes, with grades averaging about 1.7 g/tonne of gold over approximately 50 metres. From April to August 1996, MASA conducted a seven drill-hole program which outlined a sediment-hosted, skarn-related mineralized zone with a strike length of over 600 metres and a thickness of up to 55 metres. Individual gold assays ranged to 7.24 g/tonne of gold, and the best intercept was 36.4 metres with a gold grade of 2.15 g/tonne of gold, including 19.5 metres at 3.28 g/tonne of gold. The mineralization is also open at depth, as hole #4 was lost at the 102.5 metre level with a grade of 6.25 g/tonne of gold.

Between April and August 1997, MASA conducted a second core drilling program consisting of eight drill holes (one of the eight holes was abandoned), and a total of 1,340 metres. Six of the drill holes were located within the 600 metre strike length of the mineralized zone defined by the previous program, and two holes were located outside this zone, one to the north and one to the south. The step-out drilling suggests possible northward and southward extensions of the original strike length and vertical extension of the zone to over 200 metres (with a horizontal thickness of approximately 40 to 50 metres). The zone remains open along strike and at depth. In addition, the in-fill drilling demonstrated the continuity of the mineralized zone along strike.

Based on drilling to date, the indicated strike length of the mineralized zone is over 600 metres. It appears to extend to a vertical depth of over 200 metres, with a horizontal thickness of approximately 40 to 50 metres. The main body of mineralization appears to be related to the host arenite and an adjacent thrust zone. Mineralization is open to depth, as one hole in 1996 was lost at the 102.5 metre level with a grade of 6.25 g/tonne of gold. IP and magnetic surveys and geologic mapping and sampling conducted following the first program suggest possible extension both north and south along strike.

In October 1997, a probable and possible geological resource of 360,000 ounces of gold at a grade of 1.01 g/tonne was calculated on a preliminary in-house basis. This resource is contained in 11.1 million metric tonnes, of which 7.0 million tonnes can be considered as probable. However, if the resource is reduced by about 9% (to approximately 330,000 ounces) the grade increases by 12%. The estimated stripping ratio is approximately 4:1. More drilling is being considered to provide further quantitative information on the resource available.

## 2. Las Flechas Project

### *Location and Access*

The Las Flechas North and Sally Projects are located in an area extending from the Chilean border east to about 69 degrees 29 minutes west longitude and from about 28 degrees 38 minutes south latitude to 28 degrees 45 minutes south latitude.

The Las Flechas North and Sally Projects and Magotes Projects consist of eleven cateos totalling 45,310 hectares which form a contiguous block. Together they constitute the primary project of MASA in the Las Flechas Mining District, which is located in the Department of Iglesia, Province of San Juan.

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The seven cateos (26,162 hectares) which constitute the North Las Flechas Project were acquired and are held under an option to purchase granted to MASA by Oscar Garcia and others, all unrelated third parties. Garcia and associates located these cateos at various times beginning in 1992.

The Las Flechas North and Sally Project areas are in a remote area of northwestern San Juan Province. The area can be reached by four-wheel drive vehicles from San Juan via the villages of Villa Union and Vinchina in the Province of La Rioja. The nearest community is Vinchina. Local labour is available on a limited scale from these communities. A full range of services is available in the Provincial capital of San Juan. While early stage exploration will not require additional infrastructure development, detailed exploration and mining operations in the area will require provision of power and a full range of supporting infrastructure.

Within the project areas four-wheel drive vehicles, horses and mules are used during exploration operations.

#### *Previous Work*

Previous geochemical sampling at Las Flechas revealed six areas of anomalous gold and silver values, with samples ranging up to 4.0 g/tonne of gold and 500 g/tonne of silver. Mapping, bulldozer trenching, rock and talus sampling, and geophysical surveys (in the latter part of 1996) outlined three extensive areas of gold and silver mineralization. The north and central zones were expanded, and contain values ranging up to 3.9 g/tonne of gold and greater than 500 g/tonne of silver. The south zone, located five kilometres south of the central zone, contains gold zones associated with argillic alteration, iron oxides and brecciation along major structures and structural junctions, and as such are mostly recessive and talus covered.

In late March 1997, core drilling (consisting of 16 core holes totalling 1,791 metres) was completed in the vicinity of two previously identified anomalous gold zones. Holes 2, 3, 4 and 7 each included near-surface intervals in excess of seven metres grading 0.5 g/tonne of gold, together with silver grades from 21.5 g/tonne to in excess of 200 g/tonne. Higher grade intervals of gold and silver in these holes include 1.3 metres of 2.56 g/tonne of gold and 171 g/tonne of silver in hole 4; 1.45 metres of 2.39 g/tonne of gold and 97.5 g/tonne of silver in hole 4; 1.60 metres of 2.05 g/tonne of gold in hole 7; 1.15 metres of 1.45 g/tonne of gold and 68.8 g/tonne of silver in hole 3; 1.34 metres of 1.05 g/tonne of gold and 40.9 g/tonne of silver in hole 3; and 2.55 metres of 1.23 g/tonne of gold and 200+ g/tonne of silver in hole 2. Anomalous gold (+100 ppb) was encountered in 14 of the holes and 11 of the holes contained significant base metal values with intervals grading up to 6% zinc, 1% lead and 0.4% copper.

Holes drilled on the western edge of the central zone tended to show elevated values of zinc, consistent with a zone of base metal-enriched low sulfidation mineralization corresponding to the periphery of a possible gold-copper bearing high sulfidation system. Holes further east in the central zone form a half circle and show decreasing values of zinc and lead, while hosting higher values of copper plus gold and silver. This suggests the possible occurrence of high sulfidation mineralization to the east of the base metal zone where there is potential to encounter a large epithermal gold deposit of economic grade. In the central zone, the new target area appears to be associated with a topographic height that hosts a large alteration anomaly north and east of the current drilling. The type and extent of mineralization discovered is encouraging, and its apparent zonation could provide direction for future exploration efforts. MASA is also conducting work on several other zones on the property (not yet drilled) to identify

possible drilling targets. These zones include the Magote Zone, 15 kilometres northwest of the present drilling, and the Cerro Gemelos anomaly.

### 3. *Evelina Project*

#### *Location and Access*

Approximately 210 kilometres northwest of San Juan City is the Valle del Cura Region in San Juan Province, an area of extensive exploration activity. General geology and structure are similar to that of the productive epithermally mineralized gold-copper-silver belt of the nearby El Indio/Pascua mines in Chile and Veladero Project in Argentina.

The Evelina Project site is located in the upper part of the Valle de Cura, surrounded by various holdings of major mining companies. The property contains a large zone of hydrothermal alteration with geochemical anomalies. Narrow high-grade gold veins on the project area contain gold values up to 2.00 g/tonne. A number of geochemical samples for the northeast corner of the Evelina property report more than 0.20 g/tonne of gold and range up to 1.78 g/tonne.

At Evelina, work to date includes surface mapping and sampling which has disclosed a gold-arsenic-copper-silver geochemical anomaly in the northeastern part of the property. MASA plans a follow-up program, consisting of detailed mapping and sampling accompanied by trenching in late 1999.

#### ***Indonesian Properties, Southeast Asia***

##### *Pacific Wildcat Resources Corp.*

Viceroy and Sons of Gwalia Ltd. of Australia each own 29% of Pacific Wildcat Resources Corp. ("Pacific Wildcat"), a publicly traded company listed on the Vancouver Stock Exchange. The following is a brief summary of each exploration property held by Pacific Wildcat.

##### *Sulut Property – Sulawesi*

Exploration in 1997 at the Sulut Property consisted of a property-wide reconnaissance program aimed at defining further areas of interest in terms of gold mineralization. Sampling of major drainage basins and tributaries within a 220 square kilometre area identified anomalous gold values at the Hulu Sita prospect and its surrounding area.

The regional survey also identified three new anomalous zones. The Mintu prospect, on the south arm of the property, returned assay results of up to 2.27 g/tonne of gold and 42.3 g/tonne of gold in outcrop and float, respectively. Several anomalous gold values are also clustered north of the Mintu workings. Sampling in the vicinity of Gunung Simbalang confirmed the presence of gold with values up to 0.51 g/tonne of gold in brecciated silica-sulphide mineralization and an area about midway between Hulu Sita and Mintu returned values up to 0.92 g/tonne of gold. Each warrants further study. A Seventh Generation Contract of Work has been ratified. However, additional exploration work has been deferred. As previously reported, an "inferred" gold resource of 1,200,000 ounces was calculated for the Doup-Benteng area.

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***Burkina Concessions, West Africa******Channel Resources Ltd.***

Viceroy owns 22.5% of Channel Resources Ltd. ("Channel"), a publicly-traded company listed on the TSE, which has established a large land holding spanning ten permits and totalling 9,092 square kilometres in prospective greenstone belts in Burkina Faso, West Africa. The principal exploration target is gold associated with pervasive alteration zones or discontinuous swarms of quartz veins in major shear zones. Viceroy has the right to earn a 60% direct interest in the Bouroum Permit by funding \$2,300,000 of exploration work and completing a feasibility study. Funding obligations have been met and Viceroy is required to complete the feasibility study in order to earn its interest. A geologic resource of 536,000 ounces of gold has been defined in the F-12, Welcome Stranger and Bissinga deposits. A 1996 geochemical sampling program identified several anomalies that warrant exploration. A scoping study completed in 1997 estimated mineable and geologic resources, capital expenditures and operating costs associated with potential mining operations at the permit. The study concluded that heap-leaching as a low-cost method of recovery was not viable and that higher-cost alternatives were not economic.

***Yukon Regional Program/Mexico***

Reference is made to the 1998 Annual Report of Viceroy, page 15 headed "Yukon Regional Program" and "Mexico", each of which is incorporated by reference herein.

***NovaGold Resources Inc. ("NovaGold")***

In April 1999, NovaGold purchased all the shares of Alaska Gold Company which owns significant property interests in Alaska comprised of mineral claims and real estate. Viceroy assisted in this purchase by loaning funds to NovaGold to complete the transaction. Viceroy loaned to NovaGold the principal amount of \$4,000,000 (CDN) on the following terms:

- (a) \$2,000,000 as a one year bridge facility to be repaid from the proceeds of sale of various Alaskan properties owned by NovaGold or Alaska Gold;
- (b) \$2,000,000 as a two year debenture convertible into shares of NovaGold at \$0.66 per share. Viceroy is restricted from converting the debenture into shares which exceed 19.9% of the issued capital of NovaGold;
- (c) the loan will accrue interest at the prime rate as established by the Royal Bank of Canada; and
- (d) the loan is secured by a pledge of all the Alaska Gold shares owned by NovaGold and a first financial charge against all of Alaska Gold's property in Fairbanks and Nome.

In addition, Viceroy sold all of its interest in the Yukon regional exploration property to NovaGold in consideration of 3,400,000 shares of NovaGold at a deemed price of \$0.66 per share (\$2,244,000). As a part of the transaction, NovaGold granted to Viceroy an exclusive 2 year right of first opportunity to participate in any development project of NovaGold in the Yukon or Alaska. In turn, Viceroy granted to NovaGold an exclusive 2 year right of first opportunity to participate in any exploration project of Viceroy in the Yukon or Alaska. An exploration project is

defined as any property under a 500,000 ounce resource and a development project is any project having a resource of 500,000 ounces or more.

#### ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION OF VICEROY

##### *Selected Financial Data*

The financial information set forth in the tables below includes the accounts of Viceroy and its subsidiaries on a consolidated basis for the periods indicated. This financial information was prepared in accordance with accounting principles generally accepted in Canada. The selected financial information should be read in conjunction with, and is qualified by, the consolidated financial statements of Viceroy and the notes thereto, for the periods indicated at pages 21 through 31 of the 1998 Annual Report.

|                                    | <u>Year Ended</u><br><u>December 31,</u><br><u>1998</u> | <u>Year Ended</u><br><u>December 31,</u><br><u>1997</u> | <u>Year Ended</u><br><u>December 31,</u><br><u>1996<sup>1</sup></u> | <u>Nine Months</u><br><u>Ended</u><br><u>December 31,</u><br><u>1996<sup>1</sup></u> | <u>Year Ended</u><br><u>March 31,</u><br><u>1996<sup>1</sup></u> |
|------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------|
| (CDN\$000's except per share data) |                                                         |                                                         |                                                                     |                                                                                      |                                                                  |
| Sales                              | 85,533                                                  | 89,509                                                  | 51,073                                                              | 36,993                                                                               | 61,000                                                           |
| Net earnings (loss)                | (1,919)                                                 | (5,457)                                                 | (39,043)                                                            | (39,215)                                                                             | 2,572                                                            |
| Net earnings (loss) per share      | (.04)                                                   | (0.11)                                                  | (0.80)                                                              | (0.80)                                                                               | 0.06                                                             |
| Total Assets                       | 189,468                                                 | 193,952                                                 | 202,986                                                             | 202,986                                                                              | 181,214                                                          |
| Current Portion of Long-Term Debt  | 7,235                                                   | 15,889                                                  | 10,507                                                              | 10,507                                                                               | 7,261                                                            |
| Total Long-Term Debt               | <u>20,925</u>                                           | <u>36,819</u>                                           | <u>43,493</u>                                                       | <u>43,493</u>                                                                        | <u>10,114</u>                                                    |

1. In May 1996, Viceroy, Loki and Baja merged and the business combination has been accounted for using the pooling of interests method. The financial information for the year ended March 31, 1996 has been prepared by management and restated to include the historical results of Viceroy, Loki and Baja. In 1996, Viceroy changed its financial year end from March 31 to December 31.

##### *Selected Quarterly Data*

The following selected financial data for each of the last eight quarters ended December 31, 1998 has been derived from the consolidated financial statements and related notes for the periods indicated at pages 21 through 31 of the 1998 Annual Report.

|                                   | <u>December</u><br><u>1998</u> | <u>September</u><br><u>1998</u> | <u>June</u><br><u>1998</u> | <u>March</u><br><u>1998</u> | <u>December</u><br><u>1997</u> | <u>September</u><br><u>1997</u> | <u>June</u><br><u>1997</u> | <u>March</u><br><u>1997</u> |
|-----------------------------------|--------------------------------|---------------------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------|----------------------------|-----------------------------|
| Sales                             | 24,553                         | 26,069                          | 18,780                     | 16,131                      | 28,081                         | 29,784                          | 19,549                     | 12,095                      |
| Net Earnings (loss)               | (1,210)                        | (509)                           | 1,566                      | (1,766)                     | (10,048)                       | 3,516                           | 666                        | 409                         |
| Earnings (loss) per share         | (0.03)                         | (0.01)                          | 0.03                       | (0.03)                      | (0.20)                         | 0.07                            | 0.01                       | 0.01                        |
| Total Assets                      | <u>189,468</u>                 | <u>196,195</u>                  | <u>196,957</u>             | <u>188,536</u>              | <u>193,952</u>                 | <u>208,980</u>                  | <u>207,202</u>             | <u>206,924</u>              |
| Current Portion of Long-Term Debt | 7,235                          | 10,648                          | 11,925                     | 14,788                      | 15,889                         | 14,338                          | 12,040                     | 10,313                      |
| Total Long-Term Debt              | <u>20,925</u>                  | <u>28,409</u>                   | <u>32,770</u>              | <u>35,357</u>               | <u>36,819</u>                  | <u>40,281</u>                   | <u>43,966</u>              | <u>45,781</u>               |

1. All figures are unaudited.

**ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS**

Reference is made to the 1998 Annual Report of Viceroy, page 18 headed "Management Discussion and Analysis" which is incorporated by reference.

**ITEM 6: MARKET FOR SECURITIES**

The common shares of Viceroy are listed for trading on the TSE under the symbol "VOY".

**ITEM 7: DIRECTORS AND OFFICERS**

Set forth below for each of the directors and senior officers of Viceroy are the director and officer's name, municipality of residence, present position with Viceroy, principal occupation for the last five years and number of Viceroy shares beneficially owned based on information provided by such director or officer. Each director is elected at the annual general meeting of the shareholders of Viceroy and will hold office until his successor is elected at the next annual general meeting or until his office is earlier vacated.

| Name and Municipality of Residence                                            | Position Held                                   | Principal Occupation During the Past Five Years                                                                                                                                                                                                                                                                                               | No. of Viceroy Shares Beneficially Owned <sup>5</sup> |
|-------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>W. David Black</b> <sup>2,3</sup><br>Vancouver, British Columbia           | Director                                        | Partner, DuMoulin Black, Barristers & Solicitors.                                                                                                                                                                                                                                                                                             | 74,250 direct<br>7,150 indirect                       |
| <b>Henry M. Giegerich</b> <sup>1,4</sup><br>Monte Carlo, Monaco               | Director                                        | Consulting Engineer, June 1998 to present; President and General Manager of Cominco Alaska Inc., 1982 to 1987; Group Vice President, Cominco, 1980 to 1982.                                                                                                                                                                                   | 403,158                                               |
| <b>Michael H. Halvorson</b> <sup>2,4</sup><br>Edmonton, Alberta               | Director                                        | Self-employed financial consultant; President, Halcop Capital Ltd. since 1980.                                                                                                                                                                                                                                                                | 110,485 direct<br>57,195 indirect                     |
| <b>Robert V. Matthews</b> <sup>1,3</sup><br>North Vancouver, British Columbia | Director                                        | President, Sheppards Building Materials Inc.; Manager/Controller, MacMillan Bloedel, 1974 to 1993.                                                                                                                                                                                                                                            | 10,000                                                |
| <b>Gunther H. Muller</b> <sup>1</sup><br>Mexico City, Mexico                  | Director                                        | Private Consultant; Advisor to the Chairman and General Manager, Inter-American Investment Corporation (affiliate of Inter-American Development Bank) prior to 1994.                                                                                                                                                                          | 57,333                                                |
| <b>Clynton R. Nauman</b> <sup>2,3</sup><br>Blaine, Washington                 | President, Chief Executive Officer and Director | President & Chief Executive Officer, Viceroy since February 1998; General Manager, Kennecott Minerals Company, 1993 to 1998; Chief Operating Officer, NERCO Inc., 1991 to 1993.                                                                                                                                                               | 57,600                                                |
| <b>Ronald K. Netolitzky</b> <sup>3</sup><br>Calgary, Alberta                  | Chairman and Director                           | Chairman, Viceroy since October 1996, Consulting Geologist; Chief Executive Officer, Loki, December 1993 to June 1995; Chairman of the Board, Loki, June 1995 to May 1996; President, Baja, January 1993 to January 1994; Chairman of the Board, Baja, January 1994 to May 1996; President, Keewatin Consultants Inc., April 1988 to present. | 1,380,523                                             |

| Name and Municipality of Residence                           | Position Held                                | Principal Occupation During the Past Five Years                                                                                                                                                                                                                                                                                                          | No. of Viceroy Shares Beneficially Owned <sup>5</sup> |
|--------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>David M. Calabrigo</b><br>White Rock, British Columbia    | General Counsel and Corporate Secretary      | Barrister & Solicitor; General Counsel & Corporate Secretary, Viceroy since June 1996; Sole Practitioner, 1994 to 1996; Secretary of Baja, 1993 to 1996; Lawyer with a Vancouver law firm from 1987 to 1994.                                                                                                                                             | 12,000                                                |
| <b>Eric H. Edwards</b><br>North Vancouver, British Columbia  | Vice President, Chief Financial Officer      | Chief Financial Officer, Viceroy since October 1998; Chief Financial Officer, Indochina Goldfields Ltd., September 1995 to October 1998; Manager of Business Development, TVX Gold Ltd., November 1994 to September 1995; General Manager, TVX Mineral Hill Mining, November 1993 to November 1994.                                                      | 2,500                                                 |
| <b>Brian Flower</b><br>North Vancouver, British Columbia     | Senior Vice President, Corporate Development | Senior Vice President, Corporate Development, Viceroy since February 1996; Chief Financial Officer, Viceroy, July 1993 to February 1996; Director, Pacific Wildcat Resources Corp., April 1994 to present; President, Oro Belle Resources Corporation, 1997 to present.                                                                                  | Nil                                                   |
| <b>James M. Kelly</b><br>Ferndale, Washington                | Senior Vice President, Exploration           | Geologist; Senior Vice President, Exploration, Viceroy since July 1994; Vice President, Exploration, FMC Gold Company from 1990 to 1994; Senior Vice President, Atlas Corporation, 1986 to 1990; President, Atlas Precious Metals, Inc. 1988 to 1990.                                                                                                    | 28,088                                                |
| <b>Susan M. Neale</b><br>Vancouver, British Columbia         | Controller                                   | Certified General Accountant; Controller of Viceroy since June 1996; Senior Accountant of Viceroy since 1991.                                                                                                                                                                                                                                            | 1,250                                                 |
| <b>Catherine M. Siscoe</b><br>Vancouver, British Columbia    | Treasurer                                    | Chartered Accountant; Treasurer, Viceroy since March 1997; Treasurer of Royal Oak Mines Inc. from August 1992 to February 1997; Corporate Accountant of Royal Oak Mines Inc. from December 1990 to August 1992.                                                                                                                                          | Nil                                                   |
| <b>Linda E. Thorstad</b><br>West Vancouver, British Columbia | Vice President, Corporate Relations          | Professional Geoscientist; Vice President, Corporate Relations of Viceroy since January 1997; former President of the Association of Professional Engineers and Geoscientists of British Columbia; consultant with the Fraser Basin Management Board, 1993 to 1996; consultant/associate with commission on Resources and the Environment, 1992 to 1994. | Nil                                                   |

1. Member of the Audit Committee.
2. Member of the Compensation Committee.
3. Member of the Corporate Governance Committee.
4. Member of the Environmental Health & Safety Committee.
5. Shares beneficially owned, directly or indirectly or over which control or direction is exercised based upon information furnished by individual directors and officers. Unless otherwise indicated, shares are held directly.

Information concerning the directors and committees of Viceroy is located at pages 12 to 21 of the Management Information Circular which is incorporated by reference.

To the knowledge of Viceroy, the Directors and senior officers of Viceroy as a group beneficially own and exercise control over 4.05% of the total issued capital of Viceroy.

#### **ITEM 8: ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Viceroy's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Management Information Circular. Additional financial information is provided in comparative Consolidated Financial Statements for 1998 in Viceroy's 1998 Annual Report to Shareholders.

Viceroy shall provide, upon request to the Corporate Secretary of Viceroy and upon payment of a reasonable charge where permitted, a copy of this 1998 Annual Information Form and any document incorporated herein by reference, the 1998 comparative Consolidated Financial Statements of Viceroy and the accompanying auditors' report thereon, any subsequent interim financial statements, the Management Information Circular and, if securities of Viceroy are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus, a copy of any other documents that are incorporated into such prospectus by reference.

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