

## AUDITORS' REPORT

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### To the Shareholders of Champion Resources Inc.:

We have audited the consolidated balance sheets of Champion Resources Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Burnaby, BC  
February 13, 2002,  
except as to Note 12 b, which is as at April 5, 2002

*"Staley, Okada, Chandler & Scott"*  
STALEY, OKADA, CHANDLER & SCOTT  
CHARTERED ACCOUNTANTS

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**CHAMPION RESOURCES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in Canadian Dollars)

	<u>December 31, 2001</u>	<u>December 31, 2000</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 89,041	\$ 273,111
Accounts receivable	11,274	19,593
Due from related party	-	18,424
Prepaid expenses	-	28,751
	<u>100,315</u>	<u>339,879</u>
Investment (Note 3)	20,000	-
Loan receivable (Note 4 (c))	120,000	140,000
Mineral properties and related expenditures (Note 4)	7,322,122	6,889,382
Capital assets (Note 5)	27,489	48,817
	<u>\$ 7,589,926</u>	<u>\$ 7,418,078</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 365,150	\$ 449,538
Due to related parties (Note 7)	243,698	95,928
	<u>608,848</u>	<u>545,466</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)		
Authorized -		
100,000,000 common shares without par value		
Issued and outstanding -		
36,753,940 (2000 - 33,633,940) common shares	16,238,801	15,614,801
Deficit	<u>(9,257,723)</u>	<u>(8,742,189)</u>
	<u>6,981,078</u>	<u>6,872,612</u>
Continued operations (Note 1)		
Contingencies and commitments (Note 10)		
Subsequent events (Note 12)		
	<u>\$ 7,589,926</u>	<u>\$ 7,418,078</u>

Approved by the Board:

"Richard P. Clark"  
Director

"Paul K. Conibear"  
Director

**CHAMPION RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
(in Canadian Dollars)

	Year ended December 31, 2001	Year ended December 31, 2000
	<u>2001</u>	<u>2000</u>
Expenses		
Amortization	\$ 2,151	\$ 6,958
Capital taxes	(4,586)	9,580
Consulting	27,938	176,156
Financing advisory fees	6,875	45,000
Foreign exchange loss	32,638	11,198
General exploration	6,378	13,775
Interest and bank charges	3,169	10,263
Management fees	254,646	137,453
Office and general	32,860	156,060
Professional fees	74,013	164,329
Promotion and public relations	18,245	58,530
Stock exchange and filing fees	8,243	16,924
Transfer agent and shareholder information	17,925	23,257
Travel	27,012	106,927
Wages and benefits	6,137	24,854
	<u>513,644</u>	<u>961,264</u>
Other (income) expenses		
Interest income	(2,350)	(13,332)
	<u>511,294</u>	<u>947,932</u>
Loss before the undernoted	511,294	947,932
Write-off of mineral property interest	-	2,746,870
Loss on disposal of capital assets	4,240	20,950
	<u>515,534</u>	<u>3,715,752</u>
Loss for the year	515,534	3,715,752
Deficit, beginning of the year	<u>8,742,189</u>	<u>5,026,437</u>
Deficit, end of the year	<u>\$ 9,257,723</u>	<u>\$ 8,742,189</u>
Loss per common share	<u>\$ 0.01</u>	<u>\$ 0.12</u>
Weighted average number of shares	<u>35,620,607</u>	<u>30,348,911</u>

**CHAMPION RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in Canadian Dollars)

	Year ended December 31, 2001	Year ended December 31, 2000
Cash flows from operating activities		
Loss for the year	\$ (515,534)	\$ (3,715,752)
Items not affecting cash		
Amortization	2,151	6,958
Write-off of mineral property interest	-	2,746,870
Loss on disposal of capital assets	4,240	20,950
	<u>(509,143)</u>	<u>(940,974)</u>
Net changes in non-cash working capital items		
Accounts receivable and other current assets	55,492	88,711
Accounts payable and accrued liabilities	(84,388)	156,737
Due to related party	147,770	100
	<u>(390,269)</u>	<u>(695,426)</u>
Cash flows from investing activities		
Mineral properties and related expenditures	(418,781)	(2,497,661)
Proceeds from sale of capital assets	980	-
Capital assets purchased	-	(15,038)
Reclamation bond	-	24,621
	<u>(417,801)</u>	<u>(2,488,078)</u>
Cash flows from financing activities		
Common shares issued, net	624,000	2,848,270
Decrease in cash and cash equivalents	(184,070)	(335,234)
Cash and cash equivalents, beginning of year	273,111	608,345
Cash and cash equivalents, end of year	<u>\$ 89,041</u>	<u>\$ 273,111</u>
Supplementary information regarding non-cash transactions:		
Financing and investing activities:		
Accounts receivable exchanged for loan receivable	\$ -	\$ 140,000
Common shares issued for settlement of debt	\$ -	\$ 11,000
Loan receivable exchanged for investment	\$ 20,000	\$ -
Other supplementary information:		
Interest received	\$ 2,350	\$ 13,332
Interest paid	\$ -	\$ -
Amortization of mining assets	\$ 13,959	\$ 13,384

**CHAMPION RESOURCES INC.**  
**CONSOLIDATED SCHEDULES OF MINERAL PROPERTIES**  
**AND RELATED EXPENDITURES**  
(in Canadian Dollars)

	Year ended December 31, 2001	Year ended December 31, 2000
<b>Farim Project, Guinea Bissau (West Africa)</b>		
Acquisition, leases and taxes	\$ 11,212	\$ 37,658
Studies work	-	708,385
Offshore management and contractors	231,167	492,517
Office and administration	12,932	17,111
Amortization	13,959	13,384
Camp and general	3,136	50,870
Drilling	-	274,479
Geological and geochemical	34,266	472,098
Transportation and travel	1,386	394,340
Incurring during the year	<u>308,058</u>	<u>2,460,842</u>
Balance - beginning of year	<u>6,289,538</u>	<u>3,828,696</u>
Balance - end of year	<u><u>6,597,596</u></u>	<u><u>6,289,538</u></u>
<b>Guinea Bissau Reconnaissance (West Africa)</b>		
General reconnaissance		
Beginning and end of year	<u>561,758</u>	<u>561,758</u>
Diamond reconnaissance		
Assaying, sampling and freight	70,997	-
Geological and geochemical	28,248	33,132
Transportation and travel	25,437	4,954
Incurring during the year	<u>124,682</u>	<u>38,086</u>
Balance - beginning of year	<u>38,086</u>	<u>-</u>
Balance - end of year	<u><u>162,768</u></u>	<u><u>38,086</u></u>
<b>Total</b>	<u><u>\$ 7,322,122</u></u>	<u><u>\$ 6,889,382</u></u>

**CHAMPION RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**  
**(in Canadian Dollars)**

**1. Nature of Operations and Going Concern Basis of Presentation**

Champion Resources Inc. (the "Company") together with its subsidiaries, is a mineral resource corporation engaged in exploring, acquiring and developing mineral properties. The Company holds a 100% interest in the Farim Phosphate Project ("Farim") located in Guinea Bissau, West Africa.

The recoverability of the costs of mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the project, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material reductions in the carrying amount of mineral properties and related capital assets.

The mineral properties are also subject to sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities or may result in the impairment or loss of part or all of the Company's interest in the properties.

The viability of the projects and the ability for the Company to continue as a going concern are dependent on future financing. If financing is not achieved, the Company may not be able to meet its obligations as they become due. These financial statements have been prepared on the going concern basis that assumes continuity of operations and realization and settlement of liabilities in the normal course of business. A different basis of measurement may be appropriate if the going concern assumption does not prevail.

**2. Significant Accounting Policies**

a) Basis of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Champion Resources (U.S.) Inc., Minera Champion S.A. de C.V. (a Mexican company), Champion Resources (Barbados) Inc., Champion Industrial Minerals Inc. ("Champion Industrial") (a Barbados company) and Champion Industrial Minerals S.A. (Proprietary) Limited (a South African company). The purchase method of accounting is used to consolidate these subsidiaries.

b) Fair Value of Financial Instruments

The company's financial instruments consist of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, and due to/from related parties. The fair value of these financial instruments approximates their carrying values, due to their short-term maturity or capacity of prompt liquidation. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments.

c) Mineral Properties and Related Expenditures

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Direct mineral exploration and development costs are capitalized on an individual project basis until such time as an economic ore body is defined, a joint venture is formed or the project is abandoned. Costs for a producing project are amortized on a unit-of-production method based on the estimated life of the ore reserves while costs for properties abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral properties, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. The company has investigated title to all of its mineral properties and, to the best of its knowledge, all of its properties are in good standing.

d) Capital Assets

The Company provides for amortization of its capital assets as follows:

- ✍ Computer equipment - 30% declining-balance method
- ✍ Furniture and fixtures - 20% declining-balance method
- ✍ Mining equipment - 20% straight-line method

One-half of the normal rate is applied in the year of acquisition.

e) Foreign Currency Translation

The accounts of the Company's foreign operations are translated into Canadian dollars on the following basis:

- ✍ Income and expense items and exploration and development costs are translated in a manner that produces substantially the same results as would have resulted had these items been translated on the date they occurred.
- ✍ Non-monetary assets and liabilities at historical exchange rates.
- ✍ Monetary assets and liabilities (assets and liabilities whose nominal value, in terms of foreign currencies, are fixed) at the exchange rate at year-end.

Exchange gains and losses relating to the translation of foreign currency denominated monetary items, that have a fixed life extending beyond year-end, are deferred and amortized over the life of the subject monetary items. All other exchange gains and losses are treated as current period items.

f) Loss Per Share

Loss per common share is calculated using the weighted average number of common shares outstanding during the year.

The Company has adopted the revised recommendations of the Canadian Institute of Chartered Accountants CICA 3500, whereby new rules are applied in the calculation of diluted earnings per share. The standard has been applied on a retroactive basis and did not result in any restatement of the Company's financial statements.

g) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the Company.

h) Stock Option

The Company has a stock option plan which is described in Note (6). No compensation expense is recognized when stock options are issued. Any consideration received on exercise of stock options is credited to share capital.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

j) Environmental Expenditures

The operations of the company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's philosophy and resultant policy is to conduct its exploration and development activities in an environmentally responsible manner. Specifically, the company's policy is to meet or surpass the environmental requirements established to satisfy international standards and guidelines, by application of technically proven and economically feasible mitigation and reclamation procedures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

k) Income Taxes

On January 1, 2000, the Company adopted new recommendations of the Canadian Institute of Chartered Accountants relating to accounting for income taxes. The new standard requires the use of the asset and liability method for accounting for income taxes. The Company adopted this standard retroactively and has not recognized any future tax asset or liability in the current or prior periods as the net future tax assets are fully offset by a valuation allowance. Accordingly, the adoption of the new standard does not result in changes to the prior period financial statements.

### 3. Investment

	December 31, <u>2001</u>	December 31, <u>2000</u>
<b>TNR Resources Ltd.</b> – 80,000 common shares with a market value at December 31, 2001 of approximately \$4,800 (Note 4(c))	<u>\$ 20,000</u>	<u>\$ NIL</u>

### 4. Mineral properties and related expenditures

	Acquisition	Exploration	December 31, <u>2001</u>	December 31, <u>2000</u>
Mineral Properties				
Farim Project, Guinea Bissau, West Africa	\$ 188,693	\$ 6,408,903	\$ 6,597,596	\$ 6,289,538
Guinea Bissau Reconnaissance, West Africa	-	724,526	724,526	599,844
	<u>\$ 188,693</u>	<u>\$ 7,133,429</u>	<u>\$ 7,322,122</u>	<u>\$ 6,889,382</u>

#### a) Farim Project, Guinea Bissau, West Africa

On October 10, 1999, following completion of the required work program, the Company's Concession of Exploration was converted into a Mining Lease. Subsequent to the enactment of the new Mines and Minerals Act of Guinea Bissau (the "Act") in late 1999, the Company's Mining Lease was converted on May 25, 2000 into four Mining Leases to be in compliance with the size limitations of leases under the new Act. The Mining Leases have a term of twenty-five years and may be renewed for additional twenty-five year periods, for as long as mining continues.

The Company also obtained a Prospecting Licence from the Government which is valid for a period of two years from May 25, 2000. The Act provides that a Prospecting Licence shall, on application, be renewed for additional two-year terms. The Company has applied for and received a renewal of its Prospecting Licence until May 25, 2004.

The mining leases cover a total area of 30,625 hectares. The Company is required to pay annual mining lease fees based on the rate of 600 CFA francs per year, per mining hectare, for the first four years or 18,375,000 CFA francs (approximately US\$24,000) per year; and 1,200 CFA francs per year, per mining hectare for years five through eight or 36,750,000 CFA francs (approximately US\$48,000) per year.

#### b) Guinea Bissau Reconnaissance, West Africa

By an agreement dated January 15, 1997, with the Government of the Republic of Guinea Bissau, West Africa, the Company was granted the exclusive right to evaluate and explore the mineral potential (excluding oil and gas and bauxite) in the country for a period of two years which period, but for Force Majeure invoked by the Company, would have expired on January 15, 1999. In consideration for such exclusive rights, the Company was to incur cumulative exploration expenditures of US\$460,000 during the two-year period (incurred) and to provide the government with the technical findings of its research. The government has agreed to grant the Company Mining Leases for deposits which the Company locates during the term of the agreement.

Effective July 27, 1998, the Company invoked the force majeure clause of its agreement due to civil and political unrest in the country. The declaration of force majeure had the effect of adjusting time periods and effective dates under the agreement until the lifting of the force majeure. The Company rescinded the notice of force majeure on October 15, 2000, and consequently, must complete the two-year reconnaissance project by April 15, 2001. In January 2001, the Company requested that the Government grant a one-year extension of the reconnaissance program to April 5, 2002 and such extension was granted. A further one-year extension to April 5, 2003 was requested by the Company and such extension was granted; however, the exclusive rights apply only to diamond deposits.

c) Takatu Project, Guyana

The Company had a joint venture interest on the Monosse#1, Tenapu, Sparrock and Gomes claims located in Northwest Guyana. The joint venture agreement provided that the Company (41.82%) and TNR Resources Ltd. ("TNR") (40.18%) carry the remaining joint venture partner (18%) interest to an expenditure limit of \$5 million. In addition, the joint venture agreement provided for the Company to loan the first \$750,000 of TNR's contributions to the joint venture. The Company expended on TNR's behalf, the sum of \$133,192 prior to the termination of the joint venture. Accordingly, the Company has written off all related expenditures in the amount of \$2,746,870 to operations in 2000.

By a letter dated August 22, 2000, the Company advised TNR of its election to subscribe for a private placement of a convertible security of TNR in respect of monies advanced as a loan by the Company on behalf of TNR. The parties have agreed that TNR will repay the non-interest bearing loan in the following installments:

<u>Due Date</u>	<u>Amount Due</u>
July 1, 2001	\$ 20,000 *
July 1, 2002	30,000
July 1, 2003	40,000
July 1, 2004	<u>50,000</u>
	<u>\$ 140,000</u>

TNR has the right to elect to pay each installment of the loan in cash or to issue shares in the capital stock of TNR at the conversion rates as follows:

<u>Installment Date</u>	<u>Conversion Price</u>
July 1, 2001	\$0.25
July 1, 2002	Market price less 25%
July 1, 2003	Market price less 25%
July 1, 2004	Market price less 25%

\* In July 2001, TNR elected to pay the installment amount of \$20,000 due on July 1, 2001 by issuing 80,000 shares of its capital stock at the conversion price of \$0.25 per share. (Note 3)

## 5. Capital Assets

	Cost	Accumulated Amortization	December 31, 2001 Net Book Value	December 31, 2000 Net Book Value
Computer equipment	\$ 1,925	\$ 642	\$ 1,283	\$ 8,652
Vehicles	66,943	40,737	26,206	40,165
	<u>\$ 68,868</u>	<u>\$ 41,379</u>	<u>\$ 27,489</u>	<u>\$ 48,817</u>

## 6. Share Capital

a) The authorized and issued share capital is as follows:

### Authorized:

100,000,000 common shares without par value (Note 12).

	Number of Shares	Amount
<b>Shares Issued:</b>		
Balance, December 31, 1999	28,097,440	\$ 12,755,531
Private placements	4,270,000	2,388,700
Stock options exercised	186,000	30,120
Warrants exercised	1,060,500	429,450
Debt settlement	20,000	11,000
Balance, December 31, 2000	33,633,940	15,614,801
Private placement	3,120,000	624,000
Balance, December 31, 2001	<u>36,753,940</u>	<u>\$ 16,238,801</u>

b) The Company has a stock option plan in which 4,836,888 common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. The plan contains a vesting schedule, such that 20% of an option can be exercised following regulatory approval and a further 10% every quarter thereafter. Options may be granted for periods up to 10 years at a price equal to the prevailing market price on the date the option is granted. No optionee shall be entitled to a grant of more than 5% of the company's outstanding shares.

<u>Options</u>	2001		2000	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	3,734,000	\$0.64	2,675,000	\$0.56
Granted/Repriced	3,240,000	\$0.25	1,405,000	\$0.72
Exercised	-	-	(186,000)	\$0.15
Cancelled/Expired	<u>(3,991,500)</u>	<u>\$0.62</u>	<u>(160,000)</u>	<u>\$0.63</u>
Outstanding at end of year	<u>2,982,500</u>	<u>\$0.25</u>	<u>3,734,000</u>	<u>\$0.64</u>

The options outstanding have an exercise price of \$0.25 per share and expire between December 23, 2003 and March 5, 2006.

- c) As at December 31, 2001, the following non-transferable share purchase warrants were outstanding:

<u>Number of Warrants</u>	<u>Common Share Entitlement</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,870,000	1,870,000	\$ 0.76	February 15, 2002
3,120,000	1,560,000	\$ 0.25	March 29, 2002
<u>2,400,000</u>	<u>2,400,000</u>	\$ 0.65	December 7, 2002
<u>7,390,000</u>	<u>5,830,000</u>		

## 7. Related Party Transactions

During 2001, the Company:

- Paid/accrued \$70,000 (2000 - \$45,000) for management services provided by a company related to the President of the Company. At December 31, 2001, \$10,700 (2000 - \$21,400) was due to this company and included in amounts due to related parties.
- Paid/accrued \$ Nil (2000 - \$30,000) to a director for administrative and financial fees. This arrangement was terminated on April 15, 2000.
- Paid/accrued \$38,500 (2000 - \$327,660) to directors and companies controlled by directors and officers for geological consulting fees. At December 31, 2001, \$9,915 (2000 - \$55,492) was due to these parties and included in amounts due to related parties.
- Paid/accrued \$29,530 (2000 - \$45,190) to a company of which a director is an officer and director for reimbursement of consulting services. At December 31, 2001, \$675 (2000 - \$3,333) was due to this company and included in amounts due to related parties.
- Received advances totalling \$200,000 from the Chairman of the Company. These advances are included in due to related parties and bear interest at 8% per annum and is due December 31, 2002. Accrued interest to December 31, 2001 was \$1,840.

At December 31, 2001, amounts due from related party included \$ Nil (2000 - \$18,424) from a company with directors in common.

In addition, directors and officers participated in a private placement of 3,120,000 shares at \$0.20 per share during 2001. A total of 2,120,000 shares were purchased by such directors and officer (Note 12(b)).

## 8. Income Taxes

- a) The company has income tax losses carried forward of approximately \$2,203,000 available to reduce future taxable income in Canada. The income tax benefits, if any, of these losses has not been recognized in the accounts and expire as follows:

2005	\$ 269,000
2006	681,000
2007	823,000
2008	<u>430,000</u>
	<u>\$2,203,000</u>

- b) The company has accumulated deferred resource property expenditures of approximately \$4,800,000 which may be used to reduce future taxable income in Canada. The income tax benefits, if any, of these deferred resource property costs have not been recorded in these financial statements.
- c) The company has incurred losses for tax purposes in the United States of approximately US\$554,000 which may be used to reduce future taxable income in the United States. The income tax benefits, if any, of these losses which begin to expire in 2003, have not been recorded in these financial statements.

## 9. Segmented Information

The company's only business activity is the exploration for and development of mineral reserves. This activity is carried out primarily in Guinea Bissau. The breakdown by geographic region is as follows:

	Canada	Guinea Bissau	Other	Elimination	Consolidated
<hr/>					
December 31, 2001					
Segment revenue	\$ 2,201	\$ -	\$ 149	\$ -	\$ 2,350
Segment operating Income (loss)	\$ (432,156)	\$ -	\$ (83,378)	\$ -	\$ (515,534)
Identifiable assets	\$ 1,737,024	\$ 8,507,997	\$ 4,074	\$(2,659,169)	\$ 7,589,926
<hr/>					
	Canada	Guinea Bissau	Other	Elimination	Consolidated
<hr/>					
December 31, 2000					
Segment revenue	\$ 12,401	\$ -	\$ 930	\$ -	\$ 13,331
Segment operating Income (loss)	\$ (3,332,070)	\$ -	\$ (383,682)	\$ -	\$(3,715,752)
Identifiable assets	\$ 1,885,656	\$ 8,095,944	\$ 82,347	\$(2,645,869)	\$ 7,418,078

## 10. Contingencies and commitments

- a) By an agreement dated June 28, 2001 (the "Agency Agreement"), the Company acknowledged and restated a commitment to Caribbean Minerals & Development Company Limited ("Caribbean") in respect of previous services provided by Caribbean to the Company in sourcing potential financing to place the Farim Project into commercial production. Under the term of the Agency Agreement, Caribbean will be entitled to receive a fee of 4% of a financing transaction as defined in the Agency Agreement, arranged by or through Triennex (Pty) Ltd., and share purchase warrants to purchase up to 2,500,000 shares of the Company at a price of \$0.50 per share over a two year period, provided such financing transaction is accepted by the Company and closes within 2 years from the date of the Agency Agreement. The Agency Agreement will terminate in June 2003 in the event a financing transaction is not concluded before then. Given the prevailing market conditions and the equity consideration payable by the Company under the Agency Agreement, it is extremely unlikely that a financing transaction acceptable to the Company will be concluded within the remaining term of the Agency Agreement.

A director and shareholder of Caribbean is also a director of a subsidiary of the Company.

- b) On June 14, 1999, Champion Industrial signed an agreement for non-exclusive marketing and arranging of the sale of Farim phosphate rock product with a US based group. This commitment was focused on leveraging that group's apparent relationship with one specific large fertilizer producer. The commercial arrangement was a marketing fee of 2% of the gross sales price of each shipment sold as a direct result of arrangements made by this group. Since no tangible progress was made by this group in securing product off-take as originally intended, the Company issued a letter dated May 9, 2001 terminating the agreement.
- c) By an agreement effective October 10, 2000, the Company retained the services of CIBC Investment Banking ("CIBC") to advise and assist the Company in the process of securing a strategic partner or investor in India/Middle East who will invest as equity, quasi-equity, subordinate and/or convertible debt a minimum of US\$5 million in the Company's Farim Project in West Africa.

The Company terminated the agreement with CIBC effective November 14, 2001. All obligations of the Company under the agreement are extinguished.

- d) The Company's Mexican subsidiary has been advised that certain mining duties may remain payable with respect to the El Rubi property in the approximate amount of US\$55,000. No accrual has been recorded as management is of the view that the Mexican claim for the payment of these duties is unsupported. Any attempt to collect these duties will be defended vigorously by the Company.

## 11. Promotion and Public Relations

During the years ended December 31, 2001 and 2000, the Company incurred the following expenses related to its investor relations activities:

	2001	2000
Investor presentations	\$ -	\$ 14,277
Office, postage and courier	1,699	2,900
Printing and reproduction	1,884	8,867
Consultants	-	32,486
	<u>\$ 3,583</u>	<u>\$ 58,530</u>

## 12. Subsequent Events

Subsequent to December 31, 2001, the Company:

- a) received regulatory and shareholders approval to consolidate the Company's shares on a one-for-10 basis. Post consolidation, the number of shares outstanding will be 3,675,394.
- b) completed a private placement of 1,687,500 units, post consolidation, at a price of \$0.40 per unit for gross proceeds of \$675,000. Each unit consists of one common share and one share purchase warrant. Each warrant will be exercisable over a two-year period at a price of \$0.40 in the first year and \$0.50 in the second year. A total of 677,500 units were purchased by directors and officers pursuant to this private placement.