



ZARUMA RESOURCES INC.

2001 Annual Report

Gold & Copper

C O R P O R A T E P R O F I L E

Zaruma Resources Inc. (the "Company" or "Zaruma") is a natural resource company engaged in the acquisition, exploration and development of mineral properties with focus on precious metals.

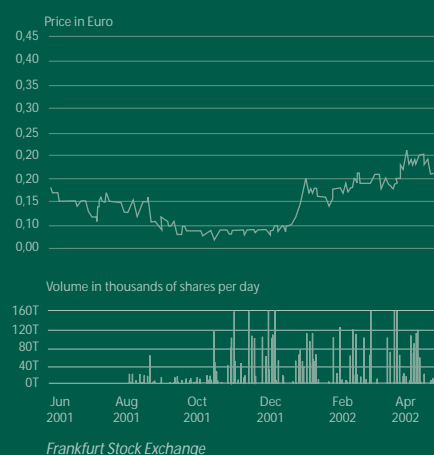
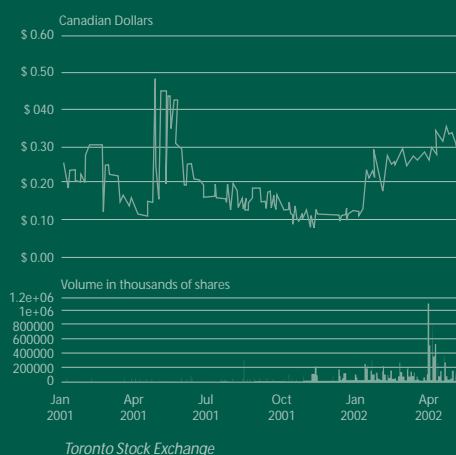
It is the prime objective of Zaruma to achieve superior capital markets recognition and strong growth in shareholder value by growing into a mainstream, profitable mineral resources company. A combination of two strategic avenues is expected to render the results needed to achieve this:

- Develop mining operations and cash flow in and from existing projects and add to the current mineral resource inventory through further exploration
- Enter into joint venture with strategic partners and seek attractive merger and acquisition opportunities.

Zaruma is concentrating its efforts on two key and advanced projects, the San Antonio gold and copper project in Mexico and the El Foco gold project in Venezuela. The Company is well positioned to benefit from significant previous investments and advancements made of the past years in these projects.

Zaruma has an experienced management team with proven track records in the mineral resources business. The common shares of Zaruma trade and are primary listed on the Toronto Stock Exchange (ZMR) and trade also in Germany on the Frankfurt (ZMR) and Berlin (ZMR) stock exchanges.

The name "Zaruma" originates from the mining town of Zaruma in southwestern Ecuador. The Zaruma gold district, since Pre-Colombian times, is a highly productive gold area. For the Company, the name symbolizes gold production and devotion to develop economic activities with focus on Latin America.



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Highlights

2001 HIGHLIGHTS

1st Quarter 2001

- Successful infill drilling of the Alcaravan gold deposit located in the El Foco Project in Venezuela
- Updating of feasibility study on the Luz del Cobre copper deposit (part of the San Antonio Project in Mexico) commenced
- Listing on the Berlin Stock Exchange (Germany)

2nd Quarter 2001

- Regaining control over all of the gold resources in the San Antonio Project
- Listing on the Frankfurt Stock Exchange (Germany)
- Start of process for a 4,000,000 shares public offering in Germany

3rd Quarter 2001

- Marketing of public offering in Germany
- Joint venture discussions regarding El Foco Project initiated

4th Quarter 2001

- Successful closing of 4,000,000 shares public offering in Germany
- Visible and sustained increase in share trading liquidity

Subsequent Events (into 2002)

- Closing of German public offering (January 02)
- Announcement of CAD 2.3 Million private placement offering (March 02)
- Entering into "Heads of Agreement" with Honnold Corp, a member of the Cisneros Group of Companies, regarding the possible joint venture exploration and development over a zone of interest covering parts the El Foco Gold Project and Honnold's neighbouring Chicanan East Gold Project in Venezuela (May 02)



Message

PRESIDENT'S MESSAGE

Dear Fellow Shareholders

The year 2001 was the first full year of operations of Zaruma Resources Inc. after the merger between Zaruma Mining Corporation ASA (Norway) with Laminco Resources Inc. (Canada) in late 2000. This merger created a corporate entity better prepared to face the challenges of building a mining company. The year 2001 and subsequent events showed that we are on the right track. We have made progress in our key projects, financing and corporate development and we are continuing to concentrate our operational efforts on our two key and well advanced projects, the San Antonio gold project in Mexico which also contains the Luz del Cobre copper deposit and the El Foco gold project in Venezuela.



*Thomas F. Utter
Zaruma Resources Inc.
President and Chief Executive Officer*

At the El Foco gold project in Venezuela, the infill drilling of the Alcaravan gold deposit early in 2001 rendered encouraging results and very good gold grades and widths of mineralization were intersected in the ore body. Based on the large amount of geological information and exploration data generated to date on El Foco, we are of the opinion that El Foco may host a series of 100,000 to 300,000 ounces oxide gold deposits (just like the discovery at Alcaravan) which could be mined by open pits and trucked to a central processing and gold extraction plant. This is potentially a viable and value adding approach to a starting junior mining company like Zaruma but hardly interesting to a major company like Homestake Mining Corp., the previous owner of El Foco.

In 2001 we initiated negotiations with the owner of the neighboring Chicanan East concessions. In May 2002 we were pleased to report that we concluded a heads of agreement with a member of the Cisneros Group of Companies contemplating a joint venture over a 20 km long and up to 10 km wide corridor which is traversing the northern sector of the El Foco Project and into the northern sector of the Chicanan East Project. This corridor hosts a number of gold mineralization as encountered at localities such as Alcaravan, Cerucho West, Panama, Cerro Alto and a series of other, yet untested significant gold targets. The contemplated joint venture will add to the critical size of the project and should create a situation where the mineable gold resources are likely to be larger and therefore, the feasibility of a future mining project would be greatly enhanced.

In our San Antonio project in Mexico, we continued with the upgrading work of the feasibility study of the Luz del Cobre copper deposit. A re-assessment of the large amount of geological, geochemical and mineralogical data on the deposit assisted in a focused metallurgical verification sampling program. We have not concluded this work however, are expecting to do so this year.

Most significant is the gold potential at San Antonio. Past work of extensive exploration work, including a very large amount of drilling, indicated an in situ geological resource of close to 1 Million ounces of gold. A pilot-stage heap leach operation under an option agreement commenced in 2000 by Alamos Minerals Ltd. of Vancouver rendered important information on the leaching parameters of gold ore from our California gold zone. In May 2001 Alamos decided not to pursue their activities and we were pleased to have regained ownership over 100 percent of our gold resources at San Antonio.

We have commenced with a comprehensive reassessment on the gold mineralization at San Antonio and in addition to the known deposits we concluded that it is imperative that we begin drill evaluation of the significant upside exploration potential not yet tested in the western property area known as Carrizo Ridge.

P R E S I D E N T ' S M E S S A G E

Considering significant corporate development aspects, we successfully placed 4,000,000 shares at market price in a public offering through the Frankfurt stock exchange in Germany where the shares of your company started to trade as from May 2001. We closed this public offering at the end of 2001 and the resulting gross consideration of Canadian Dollars 500,000 (or USD 317,000) was an important contribution to the working capital of your company under the rather difficult market conditions of 2001.

Our corporate strategy of developing an active European shareholders' following, parallel and complimentary to our highly esteemed North American shareholders has the anticipated positive effect on your company. We believe that being well followed in the North American market through our primary listing at The Toronto Stock Exchange and in parallel being in view and reach for European investors through trading at the Frankfurt and Berlin stock exchanges is a plus for your company. We are pleased to note that from the end of 2001 and continuing into 2002, the share trading liquidity and the share price of the common stock of your company has increased markedly both at The Toronto Stock Exchange and in parallel on the Frankfurt stock exchange.

The overriding short-term objective of Zaruma is to advance as soon as possible to the rank of a producing junior mining company, generating positive cash flows from projects. In this respect, we are pursuing the following activities:

- San Antonio Gold: to implement a first-stage, expandable heap leach gold operations based on the experience of last years pilot-stage operations and to conclude a comprehensive assessment on the overall mineable gold reserves, the resources and the upside potential.
- El Foco Gold: to identify the minimum amount of oxide gold reserves as a base for considerations to implement a first stage gold production as soon as possible. This objective is fully shared by the contemplated joint venture partner owning the neighbouring Chicanan East project.
- Luz del Cobre Copper: conclude the current updating work on the feasibility study.

As an important subsequent event, I am pleased to report that we concluded a previously announced private placement offering of 8,000,000 units at a price of US\$ 0.17 (CAD 0.28). Zaruma is well positioned to benefit from very significant previous investments and from our recent activities in these projects.

It would like to thank my colleagues for their contributions to the growth of Zaruma. In addition, I am pleased to be working with a team and a Board of Directors of accomplished professionals. The combination of an experienced team, a good portfolio of assets, a forward driving business plan and focused strategic actions will help to ensure the growth of the Company and the accomplishment of our overriding business purpose: the growth of shareholders value.



Thomas F. Utter
President and Chief Executive Officer
June 17, 2002

Overview

OVERVIEW

Mission and Goals

The mission of the Company and the commitment management has to the Company and to its shareholders is to create growing shareholder value through building of a profitable mining company with operations in regions favorable to mining.

The following five points highlight key aspects to achieve the mission:

- Grow from a junior into a medium-size, diversified international mining company with a diversified production base.
- Focus on gold and opportunistically open to other metal commodities.
- Focus on assets with low capital cost capable of generating self-sustaining cash flow and earnings.
- Assemble an attractive portfolio of properties with above average exploration and/or investment potential.
- Transform Zaruma into a mainstream mining company with superior market recognition and a liquid, well traded float of shares.

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Projects and Ownership

Gold			Copper		
• San Antonio Project	Mexico	100%	• Luz del Cobre	Mexico	100%**
• El Foco Project	Venezuela	100%			
• Romina Project	Venezuela	100%			
• Guaysimi Alto	Ecuador	6.9%			

* Indirect interest ** Part of the San Antonio concession (Mexico)

The projects are held through subsidiary companies and through special purpose holding companies.

The Company is concentrating its current project activities on the San Antonio concession in Mexico (gold and copper) and on the El Foco gold project in Venezuela.

Current Two Pillar Strategic Approach

Management has adopted a strategic concept consisting of two main pillars which serve the purpose to achieve immediate goals:

(I) Deliver on current Projects

- Advance the El Foco Gold (Venezuela) and the San Antonio (Mexico) Gold Projects to the mineral reserve level to support a sustainable commercial gold production.
- Start to generate cash flow from operations, focus: gold (Mexico, Venezuela)
- Advance Luz del Cobre Copper Project

(II) M&A Transactions, Partnerships

- Consummate attractive merger & acquisitions to gain critical mass and better recognition by capital markets and institutions
- Seek strategic partnerships

The Zaruma Team

Development of mines, operational management and exploration are key to accomplish the mission of the Company. These are activities in which the management and associated professionals are well experienced with proven track records. Including the Board of Directors the profiles of the members of the Zaruma team are:

Directors and Executive Officers

Kaspar K.Kielland *Chairman of the Board - Independent Board Member (Norwegian)*

M.Sc. Business Administration, more than 40 years executive experience with emphasis on metals, minerals, smelting and refining: CEO of Elkem, Chairman of Kvaerner, Kenor, Ericsson Norge, Director Awilco, Royal Caribbean Cruise Lines. Mr. Kielland has been a director of the Company since October 2000.

Prof. Dr. Thomas F. Utter *President & Chief Executive Officer (German)*

Geologist (Dipl.-Geol., Dr.phil.nat.), more than 25 years experience in the mining industry (operations and management): Chamber of Mines South Africa-Mining Technology Research, Terraconsult AG, Pancontinental Mining International, LionOre Mining International; Professor in Economic Geology at Darmstadt University (Germany). Dr. Utter was appointed director of the Company in October 2000 and prior to this has been Managing Director/Vice Chairman of Zaruma Mining Corporation ASA.

Edwin G. Morrow *Executive Vice President & Chief Operating Officer (USA)*

Geologist (B.Sc.,P.Geol.): more than 25 years experience in exploration, mining and mine operations: Asamera Minerals, Homestake Mining Corp. Mr. Morrow was appointed Director, Executive Vice President and Chief Operating Officer of the Company in October 2000. Prior to this, he served as Chairman, President and Chief Executive Officer of Laminco Resources.

O V E R V I E W

Theodore C. Mayers *Independent Director (Canadian)*

Chartered Accountant, more than 20 years experience in corporate accounting, financial management and administration: LionOre Mining International (CFO and Director), Union Carbide Canada, Price Waterhouse. Mr. Mayers was appointed director of the Company in October 2000 and prior to this has been a director of Zaruma Mining Corporation.

Edward Thompson *Director - Independent Director (Canadian)*

Mining Engineer, more than 30 years executive experience in the international mining industry and board member of a number of mining and exploration companies: Lacana Minerals, Cons. Thompson-Lundmark Mines. Mr. Thompson serves on the board of directors of a number of Canadian junior mining and exploration companies. He as appointed director of the Company in October 2000 and prior to this had been a director of Laminco Resources Inc.

Prof. Dr. Peter Lorange *Director – Independent Director (Norwegian)*

President of IMD - International Institute for Management Development (Lausanne, Switzerland), Nestle Professor, Doctor in Business Administration (M.I.T., Harvard), more than 30 years experience in management development, business consulting and global strategic planning. Prof. Lorange was appointed director of the company in March 2001.

Senior Officers and Other Key Associated Professionals**David Alexander** *Chief Financial Officer (Canadian)*

Chartered Accountant, B.Com, 20 years financial and administrative experience, with emphasis on public junior mining and exploration companies (Arakis Energy Corporation, Central Minera, Pinewood Resources) and KPMG.

Douglas S.F. Coate *Corporate Secretary and Legal Counsel (Canadian)*

LLB, BA Member of Law Society of Upper Canada, Director and Secretary of Union Carbide Canada, Alberta Glycol, LionOre Mining International, 45 years experience in law, business and corporate boards.

Dr. Alfredo Bernasconi *Project and Exploration Manager, Venezuela (Argentinian)*

Geologist (Ph.D. B.Sc), 30 years exploration and project management experience, mainly with major mining companies (JCI, BP Minerals, Placer Dome).

Alfredo Barraza *Project Manager Mexico (Mexican)*

Chemical Engineer/Metallurgist (B.Sc.) 20 years experience in project and process engineering with Cananea Copper Mines and others in Mexico.

Cato Kielland *Managing Director Norwegian subsidiary (Norwegian)*

Business Administration, 15 years experience in business development, (USA, Norway), administration and public relations.

Review

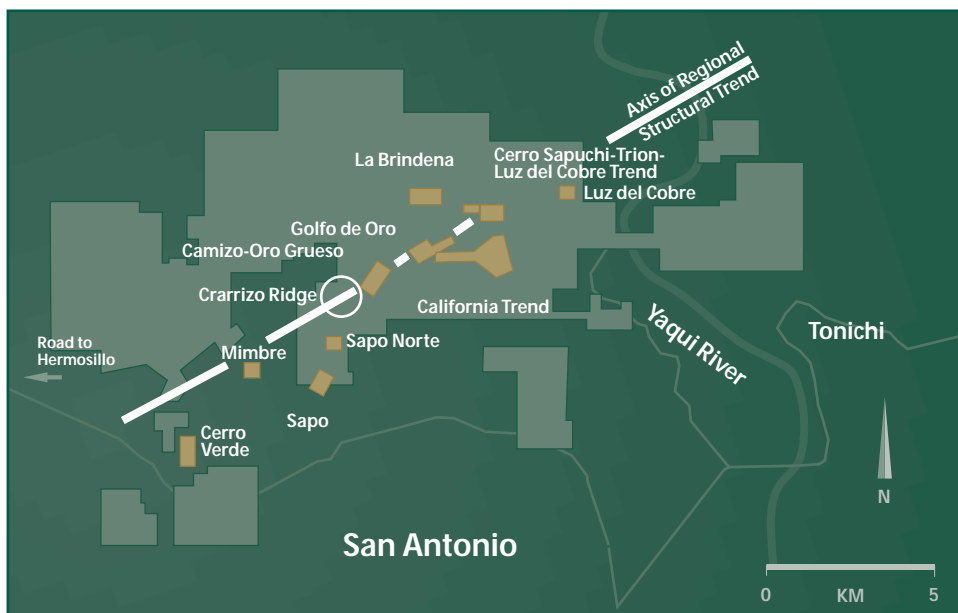
REVIEW OF PROJECTS AND OPERATIONS

San Antonio (Mexico)

- 450 square kilometer concession located in a historic and producing mining district in the Western Sierra del Madre of northwestern Mexico, 170 kilometers east of Hermosillo with excellent infrastructure (power, water, roads, labor).
- Geology and geophysics suggest potential for large underlying porphyry system.
- Polymetallic geochemical targets and defined structural mineralized trends, suggest high likelihood to find additional copper and gold mineralization.

San Antonio Gold

- Close to 1 million contained ounces of resources.
- High probability to expand gold ore resources as known deposits are mostly open ended.
- Test heap leach operations of ore from California deposit grading in excess of 2 g/t concluded and to be expanded towards systematic gold production.



San Antonio: Overall project area, location of key resources and exploration targets.

San Antonio Copper: Luz del Cobre Copper Deposit

- Significant copper mineral reserve: 10.5 million tonnes grading 0.76% copper (at 0.2% cut off) to contain 176 million pounds of copper.
- Preliminary feasibility study points to possibility of low cost (less than 0.50 per pound copper) open pit, heap leach, solvent extraction, electrowinning copper mine.

Zaruma's wholly owned San Antonio project is located 170 kilometers southeast of Hermosillo in the State of Sonora, Mexico. The project encompasses an area of 52,000 hectares of mining and exploration titles.



*Ed Morrow
Zaruma Resources Inc.
Chief Operating Officer*

San Antonio has a history of mining and on a regional scale lies at the western flank of the Sierra Madre in a East to West oriented belt of mineralization, (the "Sonora Gold Belt"), about midway between the La Colorado gold mine and the Mulatos gold deposit to the east. Geologically the property and region is characterized by series of sedimentary rocks (shales, cherts, siltstones sandstones, limestones, conglomerates) and intrusives (dikes, sills and stocks) rocks including diorite, granodiorite and monzonite. Various generations of intensive faulting and tectonic breccias add to the complex geological picture and history of the property

On the property a 15-kilometer major structural trend has been recognized to contain a series of economically significant gold and copper occurrences in several areas along the strike length of the trend. More than 250 drill holes (diamond and reverse circulation holes) have been put down on the property, in addition to mapping and sampling and extensive geophysical surveys.

Widespread gold mineralization appears to postdate the igneous intrusions. They show signs pointing to a structurally controlled, hydrothermal origin. The copper deposit of Luz del Cobre has the features of a typical supergene leached and subsequently enriched near surface blanket deposit. The ultimate origin of the copper is not quite clear but geophysical and geological evidence as well as notable base metals anomalies and alteration zones, suggest an underlying porphyry system that was the driving force behind the mineralization in this district. The ongoing evaluation indicates that key geological, geochemical, alteration and geophysical features point to the potential for a large poly-metallic deposit comparable to the world-class Candelaria copper-gold deposit in Chile as an example.

R E V I E W O F P R O J E C T S A N D O P E R A T I O N S

Current Progress

Gold

In 2000 and into 2001 a pilot scale gold heap leach operations using ore from the California deposit produced gold successfully and rendered detailed metallurgical information important to take the deposit to production. The ores leach rapidly, but do require agglomeration to maintain solution flow during the life of the heap. During the period of the test, the ounces recovered per ton of solution through the heap remained fairly constant indicating that factual recoveries should be at a high percentage of theoretical ones.



*San Antonio, Mexico
Pilot plant gold heap leach operations of early 2001.*

In 2000 and into 2001, Zaruma commenced with the work required to bringing the project to full feasibility from a technical point of view within the current calendar year, primarily by completing the metallurgical characterization. This is expected to allow for a more precise classification of the ore body and the delineation of proven and mineable reserves.

Outlook, Resources and Development

Gold

Approximately one million ounces are known from a series of deposits on the San Antonio project area. To date 284 core and reverse circulation drill holes totaling about 50,000 meters have been drilled to define gold mineralization. A prefeasibility study completed near the end of the drilling program in 1997 estimated a resource of 530,000 ounces (5.8 million tonnes at 2.84 grams per tonne) hosted within three deposits (Golfo de Oro, California and Sapuchi). At various locations along the structural-mineralized trend, significant gold mineralization has been found by earlier exploration activities (surface sampling, trenching, drilling and exploration audits). The estimated global gold resources so far estimated, total close to 1 million ounces of contained gold.

Zaruma's initial commercial production is a prime goal for the year 2002, and preparatory work has been initiated. The California deposit will be the initial source of leach material, with heap leaching occurring on site. Additional deposits along the strike of the structural trend will be brought on line as new material is needed.

REVIEW OF PROJECTS AND OPERATIONS

Copper

The Luz del Cobre copper deposit is a breccia hosted leachable copper resource which has been delineated over the past years by surface drilling and extensive underground development work. Bateman Engineers in March 1997 completed a pre-feasibility study which demonstrated the economic viability of the deposit as an open pit, solvent extraction-electrowinning operation. A reserve calculation was completed in April 1998 by MINTEC Inc. of Tucson to further update and advance the earlier work. Using a 0.2% cut off grade, a resource of 10.57 million tonnes grading 0.75% copper has been calculated and preliminary mine plans were developed to exploit the 150 million pounds of recoverable copper.

Zaruma intends to conclude the current upgrading work on the prefeasibility study of Luz del Cobre. Depending on the outcome of this work and on the outlook for copper, the Company will review its options whether to consider developing Luz del Cobre or whether to seek a joint venture, farm-in partner in the project.

Potential

In addition to currently know gold and copper resources which specifically in the case of the gold form an excellent base to initiate a start-up gold production, recent and past evaluation by internal geologists show an extraordinary potential for a large poly-metallic deposit in San Antonio.

Two major drill targets in both the west and eastern part of the property are adding significantly to the geological potential of San Antonio. One called Carrizo, has had no subsurface exploration or drilling to test the anomalies known there. During 2001 and 2002 Zaruma has entertained several opportunities to joint venture the initial exploration of this area. However, the Company concluded to put the initial drill holes into the more promising targets by itself on order test the “company making” possibility of these targets.



San Antonio - Long Section Through the Cerro Sapuchi-Trion-Luz del Cobre Trend.

REVIEW OF PROJECTS AND OPERATIONS

El Foco (Venezuela)

- Located in southeastern Venezuela encompassing 19,000 hectares of exploration-exploitation concession for gold and diamonds in the gold mining district of Chicanan-El Foco.
- Advanced exploration work (geochemistry, geophysics, more than 12,000 meters of drilling), 260,000 ounces of contained gold in a mineral resource (Alcaravan Deposit) of 4.83 million tonnes grading 1.8 g/t at cut off of 0.3 g/t, open ended, with upside potential.
- Alcaravan Deposit: infill drilling early 2001 rendered very good gold grades.
- Typical greenstone belt, shear zone hosted gold mineralization: considerable exploration upside potential, presence of at least four largely untested, sizeable target anomalies and know gold mineralizations continue to depth (down plunge).
- Planned Joint Venture with Honnold Corp, a member of the Cisneros Group of Companies, regarding the possible joint venture exploration and development over a zone of interest covering parts the El Foco Gold Project and Honnold's neighboring Chicanan East Gold Project in Venezuela.



Location of El Foco Project and Precambrian Greenstone belts in Northern Latin America.

REVIEW OF PROJECTS AND OPERATIONS

Geology

The El Foco Project is located in the State of Bolivar in Southeastern Venezuela approximately 30 kilometers to the south of the town of El Dorado. The project encompasses more than 19,000 hectares of ground (after 23,000 hectares of non productive ground are relinquished). The district is part of the Chicanan-El Foco greenstone belt and has been subject to alluvial gold production commencing about 1890 and continuing at varying levels of intensity until late 1994, with cumulative gold production estimated close to 1 million ounces

The El Foco property is underlain largely by volcanic (basaltic to andesitic) rocks with minor sediments of the Carichapo Group, a greenstone sequence within the Pastora Supergroup of Lower Precambrian age. These rocks in southeastern Venezuela and the adjacent Guyanas contain several hundred gold prospects and several major productive gold districts. Due to intensive tropical weathering, these rocks near surface have been transformed into soft, oxidized clay- and iron-rich materials referred to as saprolite and laterite.

The primary, non-oxidized gold mineralization in the El Foco districts is mainly bound to shear zone which can be traced over more than 50 kilometers. Additionally, gold mineralization is related to felsic intrusions interacting with basaltic lavas. The Alcaravan gold deposit discovered at El Foco, has the typical features of a shear-zone hosted Archean gold lode and is intimately associated with a quartz-sericite-pyrite alteration which in the down to 60 meters below surface extending weathered zone is oxidized into a typically kaolin-rich gold-bearing saprolite. The northwest-trending lenticular-shaped body follows the regional trend of gold mineralization in the district.



*El Foco, Venezuela
Gold in soil anomalies and diamond drilling locations.*

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Thomas Utter (President and CEO), Prof. Richard Viljoen (Geological Consultant-University of the Witwatersrand, South Africa) and Alfredo Bernasconi (Exploration Manager) reviewing drill cores from the Alcaravan Gold Deposit (El Foco Project - Venezuela)

Current Progress

With the aim to delineate mineable reserves, the Company in 2001 concluded an in fill drilling program at the Alcaravan deposit. The drilling was totaling 1,850 meters of HQ core size drilling in 32 vertical holes in a 30 meters by 30 meters grid. At this stage, the Company elected to drill just to the base of the saprolite ore body (average down to 55 meters depth) in order to concentrate on near surface oxide resources. Pending final evaluation of this drilling, the results were highly encouraging. Examples of intersections in the ore body were: DDH AL12-01: 37 Meter mit 4.12 g/t Gold (from 9 to 46 meters depth), DDH AL14-01: 41 Meter mit 3.26 g/t Gold (from 2 to 43 meters), DDH AL15-01: 44 Meter mit 3.36 g/t Gold (from 0 to 44 meters) and others.

REVIEW OF PROJECTS AND OPERATIONS

In 2001 discussions were initiated with the owner of the neighboring Chicanan East concession. This has led to signing of a Heads of Agreement in May 2002 with Honnold Corp, a member of the Cisneros Group of Companies, regarding the possible joint exploration and development over an approximately 15,000 hectares zone of interest.

Previously conducted exploration revealed geological structures, geochemical and geophysical anomalies from both project areas which point to a southeast to northwest trending structural corridor of significant exploration potential for gold and other metals. The 20 km long corridor is traversing through the northern sector of the El Foco Project into the northern sector of the Chicanan East Project, hosting a number of gold mineralization as encountered at localities such as Alcaravan, Cerucho West, Panama, Cerro Alto and in other targets in the collective Zone of Interest.

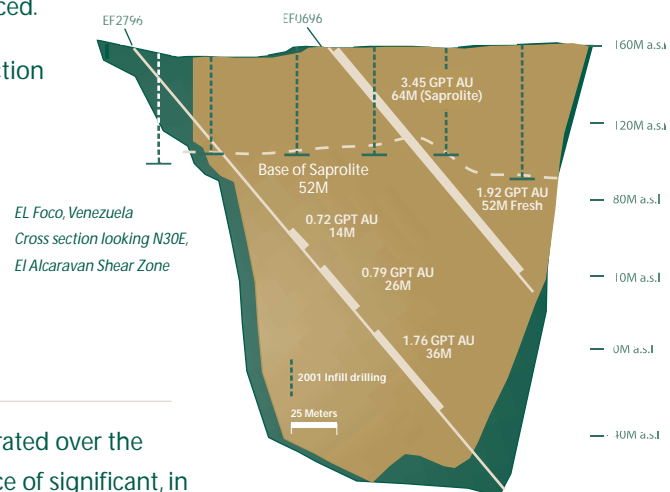
This contemplated joint venture over a sizable, geologically well defined structural corridor with similar geology, style of gold mineralization and shared geochemical and geophysical anomalies would add to the critical size of the project and should create a situation where the mineable gold resources are likely to be larger and therefore, the feasibility of a future mining project would be greatly enhanced.

Zaruma's efforts on El Foco are under the direction of Dr. Alfredo Bernasconi, an internationally experienced mining exploration consultant and Qualified Person with more than 25 years experience in the exploration, development and mining sectors.

Outlook and Concepts

Based on the extensive exploration data generated over the past years at El Foco and based on the presence of significant, in parts untested gold anomalies and also the knowledge on the Alcaravan deposit, the El Foco area could host a series of small scale (each with 100,000 to 200,000 ounces contained gold) gold deposits which could be mined by open pits and trucked to a central processing and gold extraction plant. Zaruma considers this a potentially a viable and value adding approach to a starting junior mining company.

Coherent with this interpretation, the Heads of Agreement with Honnold Corp. stipulates that in a first phase, an analysis of the vast amount of exploration data, including diamond drilling, auger drilling, soil sampling, geophysics and geologic mapping over the Zone of Interest, shall be concluded by an independent consultant. Based on the results of this analysis, expected in August 2002, the parties shall reach a decision whether to enter into a definitive joint venture agreement, including a business plan and budget, and whether to pursue further joint development of the Zone of Interest. Conceptually, the main objective is to add to the current in situ resource inventory of approximately 300,000 ounces of contained gold, to drill along a number of untested anomalies and to prove sufficient mineable gold ore reserves for a subsequent feasibility study and mining plan.



Other Interests (Romina Project, Guaysimi Alto Gold Mine)

The wholly-owned Romina concession in Venezuela and the indirect minority stake in the Guaysimi Alto gold mine in Ecuador are currently of strategic value, placing a Zaruma presence in areas of mineral and mining importance. In 2001, the Company did not pursue any operational activities in both projects.

Romina (Venezuela)

The wholly owned 1,700 hectare Romina concession is located in the northern sector of the km88 Gold District in southeastern Venezuela. Romina is found in a similar geological setting as the El Foco Project which is situated some 30 kilometers (direct line) to the Northwest.

Zaruma is maintaining for the time being the position in Romina. Romina has seen exploration work in the past and a number of gold anomalies and gold bearing structures were identified. A future concept for Romina would be: to identify, develop and to bring into production an initial gold reserve by low cost open pit mining and possible custom milling at existing, close-by gold extraction plants, located in the km88 Gold District of SE Venezuela.

Guaysimi Alto Gold Mine (Ecuador)

This small scale gold producing mine is located in the southern section of the Nambija gold-copper belt in southern Ecuador. The newly constructed, carbon-in-pulp (CIP) gold extraction plant commenced with continuous, systematic operations in late 2001. The open pit mine, mining skarn-type gold ore and the plant is currently producing around 500 ounces of gold per month with an initial mill throughput of 100 tons per day. The position in this project provides a window through which Zaruma can scrutinize additional opportunities in Ecuador, including perhaps an increased interest in Guaysimi Alto.

M&A

MANAGEMENT'S DISCUSSION & ANALYSIS

Description of Business

Zaruma Resources Inc. (the "Company" or "Zaruma") is a natural resource company engaged in the acquisition, exploration and development of mineral properties with focus on precious metals. It currently is in the development stage and has no producing operations. During the first half of the year 2001 the Company had a joint venture with Alamos Minerals Ltd. of Vancouver. The joint venture was producing small quantities of gold from a heap leach pilot plant treating ore from a test open pit at the Company's San Antonio property near Hermosillo, Sonora, Mexico.

The Company originated in October 2000 with the merger of the predecessor company Laminco Resources Inc. with Zaruma Mining Corporation ASA of Norway. On October 23rd 2000 The Toronto Stock Exchange approved the listing of Common Shares of Zaruma Resources Inc. and trading began on November 1st 2000.

Discussion of Operations

The mineral properties of El Foco (Venezuela) and of San Antonio (Mexico) represent the main assets of the Company. In both properties gold (El Foco) and gold and copper (San Antonio) mineralization has been established, and potential mineral resources have been found. Subject to a number of still outstanding investigations, the potential for commercial minerals and metals production from one or the other property of Zaruma Resources Inc. are considered very good.

During 2001, the Company focused its project activities on further work on the San Antonio Project in Mexico and on the El Foco Project in Venezuela. At the San Antonio Project in Mexico, Zaruma continued with geological assessment work and metallurgical sampling related the upgrading of a previously conducted pre feasibility study on the Luz del Cobre copper deposit. Additionally, information from the pilot stage heap leach operations conducted by a joint venture partner during the first half of 2001 was evaluated. It has been concluded that the Company desires to re-commence heap leach operations during 2002. At El Foco in Venezuela, infill drilling at the previously discovered Alcaravan gold deposit was conducted, resulting in several anomalies being found. During the year, the camps and infrastructure in both of the two key projects of the Company were maintained and kept in operational order.

Expenditures related to the operations on the mineral properties and property-related activities and costs (local overheads, property care and maintenance and taxes) during 2001 was \$128,000 for the San Antonio Project and \$349,000 for the El Foco Project.

Regarding corporate development, the Company in 2001 became listed on the OTC market segments ("Freiverkehr") of the Frankfurt and Berlin stock exchanges. This took place in conjunction with the Company's efforts to conduct a public offering of common shares in Germany in order to raise additional working capital and in order to develop an additional share holding following in Germany.

M A N A G E M E N T ' S D I S C U S S I O N & A N A L Y S I S

Share Issuance

In 2001, the Company issued 4,000,000 common shares at CAD\$0.125 per share for a gross consideration of CAD\$500,000 or USD\$316,777 in conjunction with a public offering in Germany.

Financial Condition

The following discussion should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2001.

Results of operations comparing year ended December 31, 2001 to December 31, 2000

The Company incurred a net loss of \$1,405,000 (\$0.05 per share) during the year ended December 31, 2001 (YTD-2001). This compares with a loss of \$4,804,000 (\$0.24 per share) during the year ended December 31, 2000 (YTD 2000).

The following table highlights the increase (decrease) of the year to year, with comments and explanations.

Expense and deferred cost item	Increase (decrease) in expenditure from the years ended December 31, 2001 and 2000	Explanation and comments
Consulting	\$ (316,000)	The elimination of several Norwegian consultants.
Wages	(143,000)	Due to shutting down of Norwegian operations, the Company had no employees during the year.
Foreign exchange	(397,000)	High inflation in Venezuela combined with a strong US dollar resulted in reduced liabilities.
Exploration property costs	186,000	Small drilling program in Venezuela
Write-down of mineral properties	(2,765,000)	Write-down of Ecuadorian investment, and African properties.
Travel and promotion	(106,000)	Reduced travel due to reduced exploration and merger activity
Interest expense (net)	172,000	Bridge Loan costs
Other	29,000	
Total increase (decrease) in loss for year	\$ (3,340,000)	

Results of operations comparing year ended December 31, 2000 to December 31, 1999

The Company incurred a net loss of over \$4,804,000 (\$0.24 per share) during the year ended December 31, 2000 (YTD-2000). This compares with a loss of \$1,794,000 (\$0.14 per share) during the year ended December 31, 1999 (YTD 1999).

M A N A G E M E N T ' S D I S C U S S I O N & A N A L Y S I S

The following table highlights the increase (decrease) of the year to year, with comments and explanations.

Expense and deferred cost item	Increase (decrease) in expenditure from the years ended December 31, 2000 and 1999	Explanation and comments
Consulting	\$ 199,000	Increased consulting activity was due to the cost of completing the reverse take-over of Laminco Resources Inc.
Wages	(37,000)	Reduced wages reflects the reduced hands on operations by Norwegian employees during the year.
Foreign exchange	221,000	Loss on foreign exchange due to strong US dollar during the year, as cash was held in Norwegian kroner.
Exploration property costs	230,000	The increase is due to 12 months of administration costs in Venezuela versus only two months in 1999.
Write-down of mineral Properties	2,326,000	The 2000 property write-down reflects abandonment of Tin Awati, Mali (\$1,353,000) and the write-downs of Romina, Venezuela (\$767,000) and Cominzasa, Ecuador (\$644,000). The 1999 property write-down relates to La Misionera, Ecuador (\$439,000).
Other	72,000	Increased costs of being a public company listed on the TSE.
Total increase (decrease) in loss for year	\$ 3,011,000	

Financial Liquidity

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The Company has no income from operations. In 2001, the Company, through a public offering of common shares in Germany, raised the gross amount of \$317,000. Although the Company has sufficient funds to cover current liabilities, it will require additional financing. In order to secure its continuing financial needs, the Company in end March 2002 announced the intent of a private placement of 8,000,000 units at CAD 0.28 per unit, each unit consisting of one common share in the capital of the Corporation ("Common Share") and two common share purchase warrants ("Warrants" or "Warrant").

The Company has concluded this offer during June 2002. The Company has demonstrated again in 2001 its ability to raise funds. However, there is no guarantee that the Company will be able to continue to raise funds as it has in the past (see Note1).

Risks

The Company's future viability and subsequent profitability is dependent on the identification of properties of merit, successful definition of recoverable, economic resources on such properties and the establishment of positive comprehensive feasibility studies on these resources. Upon completion of positive feasibility studies, the Company's success is dependent on the successful financing, construction and operation of a facility to extract and transport the resources.

There is no assurance that additional funding will be available to allow the Company to complete sufficient work on any of its properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development with the possible loss of properties.

Report

AUDITORS' REPORT

To the Shareholders of Zaruma Resources Inc.

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

We conducted our audits 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.

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Chartered Accountants
Vancouver, Canada
June 7, 2002

Balance Sheets

CONSOLIDATED BALANCE SHEETS

As at December 31 (In United States dollars)	2001	2000
Assets		
Current assets		
Cash and cash equivalents	\$ 130,653	\$ 764,787
Accounts receivable	49,966	58,116
Subscription receivable (note 7)	61,951	-
Prepaid expenditures	10,946	3,810
	<u>253,516</u>	<u>826,713</u>
Mineral properties (note 4)	4,797,162	4,858,058
Capital assets (note 5)	41,580	67,516
	<u>\$ 5,092,258</u>	<u>\$ 5,752,287</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	615,065	299,243
Promissory note (note 4)	125,000	125,000
Loans Payable (note 4a)	143,460	-
Due to officers (note 8)	172,627	88,144
	<u>1,056,152</u>	<u>512,387</u>
Minority interests (note 10)	-	115,597
	<u>1,056,152</u>	<u>627,984</u>
Shareholders' equity		
Share capital (note 7)		
Authorized unlimited number of Class A and B preference shares, no par value and unlimited number of common shares, no par value, of which 27,125,965 are issued and outstanding (2000 – 23,125,965)	13,175,363	12,858,646
Deficit	<u>(9,139,257)</u>	<u>(7,734,343)</u>
	<u>4,036,106</u>	<u>5,124,303</u>
	<u>\$ 5,092,258</u>	<u>\$ 5,752,287</u>

See notes to consolidated financial statements

On behalf of the Directors



Thomas Utter
Director



Edwin G. Morrow
Director

Loss & Deficit

CONSOLIDATED STATEMENTS OF LOSS & DEFICIT

As at December 31 (In United States dollars)	2001	2000
Expenses		
Consulting (note 8)	\$ 386,221	\$ 702,702
Office	215,606	292,574
Legal, accounting & audit	272,198	254,961
Foreign exchange	(172,061)	225,961
Exploration cost	446,512	225,117
Wages	32,381	259,983
Depreciation	21,931	175,515
Travel & public relations	56,571	12,821
Transfer agent & filing fees	12,299	162,448
Shareholders information	19,358	6,974
	<u>1,291,016</u>	<u>2,114,643</u>
Other items		
Write down of mineral properties (note 4)	-	\$ 2,764,527
Interest expense (income)	113,898	(58,317)
Minority interest	-	(16,018)
		<u>(7,017,335)</u>
Net loss for year	\$ (1,404,914)	\$ (4,804,835)
Deficit, beginning of year	(7,734,343)	(2,929,508)
Deficit, end of year	\$ (9,139,257)	\$ (7,734,343)
Weighted average number of common shares outstanding	<u>23,310,237</u>	<u>20,298,987</u>
Loss per share	\$ (0.05)	\$ (0.24)

See notes to consolidated financial statements

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS

As at December 31 (In United States dollars)	2001	2000
Operating Activities		
Net loss for the year	\$ (1,404,914)	\$ (4,804,835)
Add items not affecting cash:		
Depreciation	21,931	12,821
Loss on sale of capital assets	9,233	-
Minority interest	-	(16,018)
Write down of mineral properties	-	2,764,527
	<u>(1,373,750)</u>	<u>(2,043,505)</u>
Net change in non-cash working capital items:		
Accounts receivable	8,150	(41,695)
Prepaid expenses	(7,136)	(3,810)
Accounts payable	200,225	(753,248)
Due to officers	84,483	88,144
Promissory note	-	125,000
Cash used in operating activities	<u>(1,088,028)</u>	<u>(2,629,114)</u>
Investing Activities		
Mineral properties		
Capital assets	60,896	(2,400)
Cash provided by (used in) financing activities	(5,228)	-
	<u>55,668</u>	<u>(2,400)</u>
Financing Activities		
Shares issued for cash		
Loans payable	254,766	2,328,825
Cash provided by financing activities	143,460	-
	<u>398,226</u>	<u>2,328,825</u>
Decrease in cash and cash equivalents	\$ (634,134)	\$ (302,689)
Cash and cash equivalents, beginning of year	<u>\$ 764,787</u>	<u>\$ 1,067,476</u>
Cash and cash equivalents, end of year	\$ 130,653	\$ 764,787

See notes to consolidated financial statements

Notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

1. Nature of operations and going concern uncertainty

Nature of operations

Zaruma Resources Inc. (the "Company") is engaged in the business of the acquisition and development of mineral resource properties across Latin America, with an emphasis on base and precious metals, and is in the process of exploring and developing its mineral properties located in Venezuela and Mexico. The Company has determined that copper reserves are economically recoverable in its Mexican properties, however the Company has not yet assessed whether their properties contain gold reserves which are economically recoverable. The ability to recover amounts from these properties is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to complete the development, future profitable production or proceeds from the disposition of property. The Company is considered to be a development stage enterprise as it has yet to generate any revenue from operations.

The United States dollar is the principal currency of the Company's business and, accordingly, these consolidated financial statements are expressed in United States dollars.

Going concern uncertainty

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is uncertain and dependent upon the ability to maintain its licenses and/or permits, obtaining the financing necessary to meet its financial commitments and to complete the development of its properties, and/or realizing proceeds from the sale of one or more of its properties. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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2. Significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Principles of consolidation

The consolidated financial statements include the accounts of the Company, which is a Yukon corporation; its wholly owned Canadian subsidiary Aureus International Mining Company (dormant); its wholly owned Mexican subsidiary, Minerales Libertad S.A. de C.V.; its wholly owned Norwegian subsidiary Zaruma Mining Corporation ASA; its wholly owned British Virgin Island subsidiaries Bradner Investment Corporation and Romina Gold and their wholly owned Venezuelan subsidiaries Minera Rio Carichapo SA, Minera Rios Del Oriente SA, and Minetoca SA.

c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

d) Mineral properties

The Company capitalizes the cost of acquiring mineral claims until such time as the extent of the mineralization has been determined and the mineral claims are developed, abandoned or allowed to lapse. Exploration costs are expensed in the period incurred.

If a claim is abandoned or if it is determined that its value is less than the book value, the mineral property costs are written off in the year of abandonment or impairment in value. Once a property reaches commercial production, the mineral property costs will be amortized against production revenues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

Mineral claim option receipts received by the Company upon sale of an interest in a mining property or gold sales received from any pilot projects will be considered a recovery of costs and would be recorded as a reduction of the mineral property on a property by property basis.

The amounts shown for mineral claims and deferred exploration represent costs spent to date and do not necessarily reflect present or future values.

e) Foreign currency translation

Transactions recorded in Canadian dollars, Norwegian kroner, Venezuelan bolivares, and Mexican new pesos are translated as follows:

- Monetary assets and liabilities at the rate prevailing at the balance sheet date.
- Non-monetary assets and liabilities at historic rates.
- Income and expenses at the average rate in effect during the year

Exchange gains or losses are recorded in the consolidated statements of loss and deficit.

f) Capital assets

Capital assets are recorded at cost and are being depreciated over their estimated useful lives as follows:

- Office equipment, furniture and fixtures 33% straight line
- Transportation equipment 25% straight line
- Mining and communication equipment 0% straight line
- Buildings 5% straight line

g) Cash equivalents

The Company defines cash equivalents as highly liquid financial instruments purchased with a maturity of ninety days or less.

h) Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in note 7 (b). No compensation expense is recognized for this plan when stock options are issued. Any consideration paid on the exercise of stock options is credited to share capital. No compensation is recorded when stock is issued to employees. Any consideration paid by employees on the purchase of stock is credited to share capital.

i) Loss per share

Loss per share has been calculated using the weighted average number of shares outstanding.

j) Income taxes

Income taxes are provided for in accordance with the liability method. Under the liability method of accounting for income taxes, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Given the going concern uncertainty, a valuation allowance is provided against all future tax assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

3. Acquisition of Laminco Resources Inc.

The Company was formerly known as Laminco Resources Inc. During the year 2000, the Company entered into a business combination agreement with Zaruma Mining Corporation ASA ("Zaruma") of Norway. In order to complete the business combination, the company's shares were rolled back on a ten to one basis, resulting in there being 3,905,620 shares outstanding prior to the transaction. Effective October 1, 2000, the Company acquired 99% of the issued and outstanding shares of Zaruma. Zaruma shareholders agreed to accept 0.7 of a share of Laminco in exchange for each Zaruma share. The Company therefore issued 19,220,345 common shares. Upon completion of these transactions, the former Zaruma shareholders held 83% of the outstanding shares of the company. Accordingly, the acquisition is recorded as a reverse takeover of the Company by Zaruma and accounted for using the purchase method. Application of reverse takeover accounting rules results in the following:

a) The consolidated financial statements of the combined entity are issued under the name of the legal parent (the Company) but are considered a continuation of the financial statements of the legal subsidiary (Zaruma).

b) As Zaruma is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements of the continuing entity at their carrying values and the comparative figures reflect the results of operations of Zaruma.

c) Control over the net assets and operations of the Company is deemed to be acquired by Zaruma effective October 1, 2000. For purposes of this transaction, the deemed consideration is \$2,120,194, being the fair value of the common shares of Zaruma would have had to issue in order to provide the same percentage ownership of the combined company to shareholders of Laminco as they have in the combined company as a result of the reverse takeover. The details of the net assets acquired at fair value is outlined as follows:

Asset acquired	Value
Current assets	\$ 42,394
Capital assets	60,159
Mineral assets	2,412,834
	<u>2,515,387</u>
Less outstanding payables	(395,193)
Net value of acquired corporation	<u>\$ 2,120,194</u>

4. Mineral properties

Property	January 1 2001	Acquisitions	Exploration Property Expenses	Write-down & Gold Sales	December 31 2001
San Antonio, Mexico (a)	\$ 2,415,234	\$ -	\$ 128,004	\$ (60,896)	\$ 2,354,338
El Foco, Venezuela (b)	1,842,824	-	318,508	-	1,842,824
Romina, Venezuela (c)	600,000	-	-	-	600,000
	<u>\$ 4,858,058</u>	<u>\$ -</u>	<u>\$ 446,512</u>	<u>\$ (60,896)</u>	<u>\$ 4,797,162</u>

Property	January 1 2000	Acquisitions	Exploration	Write-down & Gold Sales	December 31 2000
San Antonio, Mexico (a)	\$ -	\$ 2,412,834	\$ 2,400	\$ -	\$ 2,415,234
El Foco, Venezuela (b)	1,842,824	-	-	-	1,842,824
Romina, Venezuela (c)	67,549	1,299,154	-	(766,703)	600,000
Tin Awati, Mali (d)	1,353,472	-	-	(1,353,472)	-
Cominzasa, Ecuador (d)	-	644,352	-	(644,352)	-
	<u>\$ 3,263,845</u>	<u>\$ 4,356,340</u>	<u>\$ 2,400</u>	<u>\$ (2,764,527)</u>	<u>\$ 4,858,058</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

a) San Antonio, Mexico

This is the property acquired as a result of the reverse takeover (note 3). Pursuant to an option agreement dated October 1993, the Company completed the acquisition of mineral concessions located near San Antonio, Mexico, 90 miles from Hermosillo, the capital of the state of Sonora, Mexico.

A 2% Net Smelter Return royalty in perpetuity to a maximum of \$3,000,000 was granted to certain optionors for the copper produced from the previously optioned properties and a 2% Net Smelter Return royalty in perpetuity to a maximum of \$3,000,000 was granted to certain optionors for the gold produced from the previously optioned properties.

On September 30, 1997, the Company entered into an agreement with Ridgewood del Cobre, LLC. ("Ridgewood"). During December 1997 Ridgewood advised the Company of its intention not to proceed with the project. Under this Agreement Ridgewood advanced US\$125,000 to Laminco under a Promissory Note. To date Ridgewood has not requested repayment.

On June 30, 1999, the Company entered into an agreement with Alamos Minerals Ltd., whereby Alamos by successfully completing a production scale metallurgical test on San Antonio ores can earn a 35% interest in the Company's San Antonio gold properties. A further 35% interest can be earned by spending a total of US\$4 million in developing the gold properties over the next three years. During May 2001, Alamos decided to terminate its activities at the San Antonio property. During the year the Company received \$60,896 from gold sales by Alamos as a result of a heap leaching pilot test.

b) El Foco, Venezuela

On March 12th 1999, Zaruma Mining Corporation ASA closed a transaction with Americana Gold and Diamond Holdings Inc. ("AGDH") through which Zaruma Mining Corporation ASA acquired 100% of the exclusive exploration, development and exploitation rights for alluvial and vein-type gold and diamonds to a 42,000 hectare block of concessions termed "El Foco" located in the State of Bolivar in southeastern Venezuela.

As consideration, Zaruma Mining Corporation ASA paid \$291,230 cash and issued 1,900,000 common shares of Zaruma Mining Corporation ASA (1,330,000 shares of the Company after the 0.7 share exchange, see Note 3) to AGDH. AGDH retains a 1% Net Smelter Return royalty from all metal or diamond production from the property which Zaruma Mining Corporation ASA has the right but not the obligation to re-purchase from AGDH. Previous owner Homestake Mining Company of California ("Homestake") has a 3% Net Smelter Return royalty from gold and diamonds produced at El Foco from mineral reserves and resources not previously found by Homestake. During the year the Company conducted an exploration program comprised of infill drilling at the Alcaravan gold deposit.

On May 6, 2002, the Company entered into a Heads of Agreement with Honnold Corp., a member of the Cisneros Group of Companies. Under this Agreement, subject to the findings from the respective Company's joint exploration data analysis, the Companies will enter into a definitive business arrangement. Honnold Corp owns the Chicanan East Gold Project which borders the Company's El Foco project.

c) Romina, Venezuela

Pursuant to an agreement between Zaruma Mining Corporation ASA and LAG (Holdings) Ltd "LAG" dated February 11th, 2000, Zaruma Mining Corporation ASA purchased all of the assets of LAG, that is: 100% of the exploration, development and subsequent exploitation rights to the 1,336 hectare Romina concession in Venezuela and 11.44% of the shares of Latin American Gold (Ecuador) Holding Company Ltd. ("LAGEHL") which owns 100% of the shares of Latin American Gold (Ecuador) Ltd. ("LAGEL") which owns 59.47% of the shares of Compania Minera de Zamora SA ("Cominzasa") which in turn owns all of the mining rights to the 200 hectares Guayzimi Alto concession and gold mine located in Ecuador.

As consideration, Zaruma Mining Corporation ASA issued 2,123,329 shares (1,486,330 shares of the Company after the 0.7 share exchange, see Note 3) to LAG and assumed liabilities of \$485,140.

100% of the rights to the Romina concession was granted by Corporacion Venezolana de Guayana ("CVG") to the company Minetoca CA, in 1992. Minetoca CA is owned by the British Virgin Island company Romina Gold Ltd. which itself is owned by Zaruma Mining Corporation.

The Romina project was written down in 2000 to the value as determined by an independent geological consultant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

d) Tin Awati, Mali and Cominsasa, Ecuador

During February 1999 Zaruma Mining Corporation ASA acquired an exploration license to explore for evidence of gold mineralization in this 80,000 hectare project located in West Africa by issuing 1,700,000 shares of Zaruma Mining Corporation ASA (1,190,000 shares of the Company after the 0.7 share exchange, see Note 3). Due to the remoteness of the area, poor infrastructure, the regulatory environment, the deterioration of the West African political situation and the acquisition of the more advanced Mexican project, the Company decided to not pursue the project any further and wrote-off the property in 2000.

The Cominsasa project was written down in 2000 as the Company has determined their investment in this project will not be recovered.

5. Capital assets

Capital assets of the Company consist of the following:

	December 31 2001	December 31 2000
Opening	\$ 88,610	\$ 28,451
Additions	5,228	60,159
Dispositions	(8,233)	-
Closing	\$ 84,605	\$ 88,610
Opening amortization	\$ 21,094	\$ 8,273
Amortization charge	21,931	12,821
Closing amortization	\$ 43,025	\$ 21,094
Net book value	\$ 41,580	\$ 67,516

6. Loans payable

During the year, the Company obtained two bridge loans. On July 19, 2001, the Company borrowed \$98,000 (NOK 875,000) from five Norwegian shareholders. The loan, originally due on September 19th, 2001, was unsecured and bore interest at 5% per month. On January 3, 2002, \$76,000 (NOK 666,000) was repaid, representing half of the principal and accrued interest. Another \$73,000 (NOK 656,000) was repaid on May 24, 2002, representing the remaining principal as well as the accrued interest to that date.

On October 10, 2001, the Company borrowed \$33,000 (NOK 300,000) from four Norwegian shareholders. The loan, originally due on December 31st, 2001, was unsecured and bore interest at 5.7% per month until December 31st, 2001. After that time, the interest rate was Norwegian Inter-Bank Offer Rate (NIBOR) (at December 31, 2001 NIBOR was 6.4%) plus 3%. On May 29, 2002, \$29,000 (NOK 261,000) was repaid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

7. Share capital

There are no issued and outstanding Class A or Class B preference shares.

Common shares issued and outstanding since December 31, 1998 are summarized as follows:

Fiscal period and consideration received	Number of shares	Date	Amount
Balance at December 31, 1999	14,587,291		\$ 6,941,271
Issued during the fiscal year 2000			
For cash – private placement	1,282,557	January	1,363,870
For property – Romina/ Cominzasa (note 4 d)	1,346,575	June	1,458,366
For cash – private placement	2,003,922	September	1,091,246
For business combination (note 3)	3,905,620	October	2,120,194
Less finders fees paid			(116,301)
Balance at December 31, 2000	23,125,965		\$ 12,858,646
Issued during the fiscal year 2001	4,000,000	December	316,717
For cash – private placement			
Balance at December 31, 2001	27,125,965		\$ 13,175,363

During 2001, the Company raised \$316,717 by issuing 4,000,000 shares at \$0.125 Canadian (approximately US\$0.08). While the shares were all issued during December 2001, the Company did not receive all of the funds by that date. A subscription receivable of \$61,951 was received on January 3, 2002.

b) Options and warrants outstanding

A total of 172,000 options, expiring on December 12, 2002, with an exercise price of \$1.22 (CAD\$1.90), were outstanding at December 31, 2001. On February 1st, 2002 these options were cancelled and a new option plan was approved. Under this new stock option plan, 1,560,000 options were issued to employees, officers and directors at \$0.13 (CAD\$0.20) per share. The options expire February 1, 2007 and vest after two years. Under the new option plan the Company can issue up to 3,150,000 shares.

On July 1, 2001, 2.1 million share purchase warrants expired unexercised. Each warrant had entitled the holder to purchase one common share on or before July 12, 2001 at a price of \$0.51 (CAD\$0.80) per share.

8. Related party transactions

Related Party Expenses	Year Ended December 31 2001	Year Ended December 31 2000
International Cap.Management ASA (a)	\$ -	\$ 66,985
Norsk Finansanalyse ASA (b)	-	376,865
Sjur J. Ovrevik	-	7,384
Thomas Utter (c)	120,000	129,847
E. G. Morrow Inc.(d)	102,000	102,000
482130 B.C. Ltd. (e)	48,000	48,000
Gorud Bilist Sentre AS (f)	83,000	-

a) International Capital Management AS is owned by Sjur J. Ovrevik, who was a former director of the Company.

b) Norsk Finansanalyse ASA is owned 50% by Sjur J. Ovrevik, and 50% by Magne Olsen a former officer of the Company.

c) Thomas Utter is a director and CEO of the company. The company entered into an agreement to pay Mr. Utter \$10,000 per month for his services. As of year-end the Company owes Mr. Utter \$20,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 (in United States dollars except where otherwise indicated)

d) Edwin Morrow is a director and officer of the company. The company entered into an agreement to pay Mr. Morrow \$8,500 per month for his services. As of year-end the Company owes Mr. Morrow \$93,500.

e) 482130 B.C. Ltd. is wholly owned by an officer of the company. The company entered into an agreement to pay 482130 BC Ltd. \$4,000 per month for his services. As of year-end the company owes 482130 BC Ltd. \$29,960.

f) Grorud Bilist Sentre AS is wholly owned by Mr. Cato Kielland. These fees represents the fees for being the managing director of Zaruma Mining Corporation of Norway.

9. Segmented information

The Company is primarily engaged in the mining industry in Latin America which involves exploration of properties for mineable resources with the aim of subsequent development if possible. At the same time the Company has shareholders and investors' relations representation in Norway and in Germany. Operations and identifiable assets by geographic region for the years indicated are as follows:

	December 31 2001	December 31 2000
Segment contribution to loss		
Norway	\$ (201,807)	\$ (4,201,017)
Venezuela	(429,784)	(259,983)
Canada	(581,475)	(202,844)
Mexico	(191,848)	(140,991)
Loss for the year	\$ (1,404,914)	\$ (4,804,835)
Identifiable assets		
Norway	\$ 67,995	\$ 677,930
Venezuela	2,466,815	2,442,824
Canada	126,099	5,966
Mexico	2,431,349	2,625,567
Total assets	\$ 5,092,258	\$ 5,752,287

10. Sale of Lemitec Asa.

On October 29, 2001, the Company's wholly owned subsidiary, Zaruma Mining Corporation (ZMR), disposed of its approximately 90% owned subsidiary Lemitec ASA. Lemitec ASA had no assets other than a receivable from ZMR. The acquirer of Lemitec ASA agreed to assume the liability owed to the minority interest shareholders, relating to the minority interest shareholders' portion of the intercompany receivable. In return, ZMR has agreed to pay the acquirer that liability on or before December 31, 2002. This liability of \$90,000 is included in accounts payable.

11. Subsequent events

As of June 7, 2002, the Company has received \$1,274,300 (Canadian dollar CAD\$1,951,505), by way of an 8,000,000 unit private placement offering. Under this offering, each unit was offered at \$0.17 (CAD \$0.28) per unit. Each unit consists of one common share of the Company and two common share purchase warrants. One of the share purchase warrants entitles the holder to purchase one-half common share at \$0.26 (CAD \$0.40) per share within two years of closing. The second share purchase warrant entitles the holder to purchase one-half common share at \$0.33 (CAD \$0.50) per share within three years of closing. The approval of this private placement is subject to the removal of the Company's cease-trading order as issued by the Ontario Securities Commission imposed on May 31, 2002. This cease-trading order is expected to be removed before the end of June 2002.

Information

CORPORATE AND INVESTOR RELATIONS INFORMATION

Directors and Executive Officers

Kaspar K. Kielland

*(Oslo, Norway)
Chairman of the Board*

Dr. Thomas F. Utter

*(Bad Vilbel, Germany)
President and Chief Executive Officer*

Edwin G. Morrow

*(Lake Tahoe, USA)
Executive Vice President
and Chief Operating Officer (*)*

Theodore C. Mayers

*(Toronto, Canada)
Director (*)*

Edward G. Thompson

*(Toronto, Canada)
Director*

Dr. Peter Lorange

*(Lausanne, Switzerland)
Director (*) as from March 5th 2001*

Sjur J. Øvrevik

*(Kristiansand, Norway)
Director (up to March 5th 2001)*

() Audit Committee member*

Officers

David Alexander

*(Vancouver, Canada)
Chief Financial Officer*

Douglas C.F. Coate

*(Oakville, Canada)
Corporate Secretary and Legal Counsel*

Zaruma Office

Zaruma Resources Inc.

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Fax: +1 416 7771320
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Representations and Investor Relation Contacts

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14 Seilerbahnweg, 61462 Koenigstein
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Norway

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Fax: +47 23233601

Germany and Central Europe

Axino AG
Silberburgstrasse 112
10176 Stuttgart
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Fax: +49 711 25359233
info@axino.de

General and North America

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Toronto Ontario, Canada M5C 2B8
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ThomasUtter@compuserve.com

Ed Morrow

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Tahoe Paradise Calif. 96150 USA
Tel. +1 530 5777330
Fax +1 530 5777534
Emgeotype@aol.com

Stock Exchange Listing, Share Transfer

The Toronto Stock Exchange (TSX):
Stock Symbol ZMR
Cusip Number: 98914P104

Transfer Agent: Computershare
Investor Services, Vancouver, Canada

Over-the-Counter Trading:

Frankfurt Stock Exchange (Freiverkehr),
Stock Symbol ZMR

Berlin Stock Exchange (Freiverkehr),
Stock Symbol ZMR

Wertpapierkennnummer (WPK) 886597

Nasdaq: Symbol ZMRAF

Auditor

Ernst & Young LLP

Notice of Meeting

The Annual General Meeting of the Shareholders of Zaruma Resources Inc. will be held on Tuesday, July 23rd 2002 at 10:00 am, Second Floor, 20 Toronto Street, Toronto, Ontario, Canada.

Gold & Copper

