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REGISTRANT'S NAME

Champion Natural Health.com Inc

\*CURRENT ADDRESS

7 Bishop Avenue

Suite 404

Willowdale, Ontario

M2M 4 J4

\*\*FORMER NAME

**PROCESSED**

APR 10 2003

\*\*NEW ADDRESS

THOMSON  
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CHAMPION NATURAL HEALTH.COM INC.  
(Formerly Champion Gold Resources Inc.)

FINANCIAL STATEMENTS

MARCH 31, 2001

RECEIVED  
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OFFICE OF INTERNATIONAL CORPORATE  
FINANCE — CORPORATION FINANCE

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**MARCH 31, 2001**

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**AUDITOR'S REPORT**

To the Shareholders of  
**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

I have audited the balance sheets of **CHAMPION NATURAL HEALTH.COM INC. (Formerly Champion Gold Resources Inc.)** as at March 31, 2001 and 2000 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted an audit in accordance with generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2001 and 2000 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

(Signed)

**JACK L. SEGAL, B. COMM.**

**Chartered Accountant**

Toronto, Ontario  
July 13, 2001 (except for Note 16,  
which is dated July 31, 2001)

**CHAMPION NATURAL HEALTH.COM INC.**  
(Formerly Champion Gold Resources Inc.)

**BALANCE SHEETS**

**MARCH 31, 2001**

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 387,675	\$ 16,201
Accounts receivable	8,637	50,000
Mortgages receivable (Note 3)	2,998	4,067
Deposits	<u>622</u>	<u>622</u>
	399,932	70,890
<b>MORTGAGES RECEIVABLE (Note 3)</b>	41,018	65,405
<b>INVESTMENT IN SECURITIES</b>	-	44,160
<b>INVESTMENT IN COMPANIES (Note 4)</b>	817,500	-
<b>INVESTMENT IN A SUBSIDIARY</b>	-	1
<b>LICENSE (Note 5)</b>	225,000	-
<b>CAPITAL (Note 6)</b>	106,690	112,587
<b>REVENUE PRODUCING PROPERTIES (Note 7)</b>	17,959	54,124
<b>LOANS RECEIVABLE</b>	<u>-</u>	<u>52,932</u>
	\$ <u>1,608,099</u>	\$ <u>400,099</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 8(c))	\$ 30,732	\$ 63,916
Mortgages payable (Note 9)	4,317	6,200
Loan payable (Note 8(b))	<u>9,075</u>	<u>60,997</u>
	44,124	131,113
<b>LOANS PAYABLE (Note 8(b))</b>	150,000	-
<b>MORTGAGES PAYABLE (Note 9)</b>	<u>45,231</u>	<u>98,986</u>
	<u>239,355</u>	<u>230,099</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (Note 10)</b>	2,186,152	928,652
<b>CONTRIBUTED SURPLUS</b>	<u>10,211</u>	<u>10,211</u>
	2,196,363	938,863
<b>DEFICIT</b>	( <u>827,619</u> )	( <u>768,863</u> )
	<u>1,368,744</u>	<u>170,000</u>
	\$ <u>1,608,099</u>	\$ <u>400,099</u>

See accompanying notes to financial statements.

**APPROVED ON BEHALF OF THE BOARD:**

(Signed)

\_\_\_\_\_  
Director - Larry Melnick

(Signed)

\_\_\_\_\_  
Director - Sophie Melnick

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**STATEMENT OF OPERATIONS AND DEFICIT**

**FOR THE YEAR ENDED MARCH 31, 2001**

	<u>2001</u>	<u>2000</u>
<b>INCOME</b>		
Rent	\$ 7,860	\$ 16,252
Interest	15,045	17,134
Consulting fees	<u>120,000</u>	<u>-</u>
	<u>142,905</u>	<u>33,386</u>
<b>EXPENSES</b>		
Shareholders' information	10,779	7,132
Professional fees	54,321	19,572
Officers' remuneration	24,000	24,000
General	15,957	17,887
Long-term interest	11,074	9,735
Amortization	31,645	8,236
Rental	4,591	6,740
Transfer agent's fees and expenses	11,468	7,911
Maintenance fees	<u>5,532</u>	<u>5,389</u>
	169,367	106,602
Amortization of excess cost of acquisition of significantly influenced companies	70,000	-
Loss on sale of condominium townhouses	3,207	-
(Gain on sale) write-down of investment in securities	<u>(40,913)</u>	<u>126,742</u>
	<u>201,661</u>	<u>233,344</u>
<b>LOSS FROM CONTINUING OPERATIONS</b>	( 58,756)	( 199,958)
<b>DISCONTINUED OPERATIONS</b>		
Loss on sale of mining claims	<u>-</u>	<u>( 243,609)</u>
<b>NET LOSS FOR THE YEAR</b>	( 58,756)	( 443,567)
<b>DEFICIT, beginning of year</b>	( <u>768,863</u> )	(6,143,463)
	( 827,619)	(6,587,030)
Stated capital reduction	<u>-</u>	<u>5,818,167</u>
<b>DEFICIT, end of year</b>	\$ ( <u>827,619</u> )	\$ ( <u>768,863</u> )
<b>LOSS PER SHARE (Note 11)</b>		
From continuing operations	\$(0.01)	\$(0.15)
From discontinued operations	<u>(0.00)</u>	<u>(0.19)</u>
	<u>\$(0.01)</u>	<u>\$(0.34)</u>

See accompanying notes to financial statements.

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2001**

	<u>2001</u>	<u>2000</u>
<b>OPERATING ACTIVITIES</b>		
Loss from continuing operations	\$ ( 58,756)	\$ ( 199,958)
Amortization	101,645	8,236
(Gain on sale) write-down of investment in securities	( 40,913)	126,742
Loss on sale of condominium townhouses	<u>3,207</u>	<u>-</u>
	5,183	( 64,980)
Accounts receivable	41,363	( 50,000)
Accounts payable	<u>( 33,184)</u>	<u>10,633</u>
	<u>13,362</u>	<u>( 104,347)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of multiple voting shares for cash	-	43,552
Mortgage payable	<u>( 55,638)</u>	<u>( 5,409)</u>
Loans payable	<u>98,078</u>	<u>( 8,551)</u>
	<u>42,440</u>	<u>29,592</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of securities	205,074	-
Proceeds on sale of mining claims	-	50,000
Mining claims and deferred exploration expenditures	-	( 12,446)
Mortgages receivable	25,456	3,718
Proceeds on sale of condominium townhouse	32,210	-
Loans receivable	<u>52,932</u>	<u>2,600</u>
	<u>315,672</u>	<u>43,872</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	371,474	( 30,883)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>16,201</u>	<u>47,084</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>387,675</u></u>	\$ <u><u>16,201</u></u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	\$ <u><u>11,074</u></u>	\$ <u><u>9,735</u></u>

See accompanying notes to financial statements.

**CHAMPION NATURAL HEALTH.COM INC.  
(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**1. DESCRIPTION OF BUSINESS**

The Company is currently an investment and real estate holding company with recent investment acquisitions of companies involved in natural health. During the year, the company amended its Articles as follows:

- (a) increasing the voting rights attached to each of the issued and outstanding multiple voting shares from fifty to one hundred votes for each multiple voting share held;
- (b) consolidating each issued and outstanding subordinate voting share by changing each five issued and outstanding subordinate voting shares into one subordinate voting share;
- (c) changing the name of the company to "Champion Natural Health.com Inc."

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

In 2000, the Company discontinued its resource exploration activities and sold and/or otherwise disposed of all of its mining claims, the majority of which were held through the Company's wholly-owned subsidiaries, Barton Bay Resources Inc. and Panegyric Resources Explorations Ltd.

**(b) Cash and Cash Equivalents**

Cash equivalents consist of short-term investments with maturities under 90 days.

**(c) Securities**

Securities which represent shares of public companies are carried at the lower of cost and net realizable value.

**(d) Investment in Companies**

The Company accounts for its investments in significantly influenced companies (20% to 50% ownership) using the equity basis of accounting. The excess of cost over the net book value of assets acquired is being amortized over the five year period.

The investment in companies representing less than 20% ownership is accounted for on the cost basis.

In the case of permanent decline in value of the investee companies, the carrying value of the investment is written down to net realizable value.

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Foreign Currency Translation**

Accounts stated in other currencies are translated as follows:

- monetary assets and liabilities at year-end rate;
- non-monetary assets at historical rates;
- revenue and expenses at average exchange rate in effect during the accounting period.

Exchange gains or losses are included in earnings except those relating to the translation of foreign denominated monetary items with a fixed life. These gains or losses are deferred and amortized over the life of the related monetary items.

**(f) Capital Assets and Revenue Producing Properties**

These assets are stated at cost. Amortization is being provided for at the following annual rates:

Furniture	- 20%
Computer equipment	- 30%
Condominium	- 5%
Townhouse	- 4%

**(g) License**

Audio/video software license, acquired in exchange for shares, is stated at cost attributable to shares. Amortization is provided on a straight-line basis over the term of the license.

**(h) Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**3. MORTGAGES RECEIVABLE**

Two wrap around first mortgages receivable bear interest at 9% per annum, receivable in blended monthly payments of \$569 and are due November 20, 2002.

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**4. INVESTMENT IN COMPANIES**

	<u>2001</u>	<u>2000</u>
<b>Companies subject to significant influence (a)</b>		
Original cost	\$ 700,000	\$ -
Share of income/loss	-	-
Amortization of excess of cost over net book value	<u>( 70,000)</u>	<u>-</u>
	630,000	-
<b>Companies with less than 20% ownership (b)</b>	<u>187,500</u>	<u>-</u>
	<u>\$ 817,500</u>	<u>\$ -</u>

**(a) Significantly Influenced Companies**

During the year, the Company, in exchange for subordinate voting shares, acquired 50% interest in the following companies:

	<u>2001</u>	<u>2000</u>
(i) E-com Marketing ("E-com")	\$ 150,000	\$ -
Share of income/loss	-	-
Amortization of excess cost	<u>( 15,000)</u>	<u>-</u>
	<u>\$ 135,000</u>	<u>\$ -</u>

The Company issued 600,000 subordinate voting shares valued at \$150,000 to acquire 50% of issued and outstanding common shares of E-com, a company that designs, builds and hosts e-commerce websites.

	<u>2001</u>	<u>2000</u>
(ii) ITEC Software Solutions Inc. ("ITEC")	\$ 300,000	\$ -
Share of income/loss	-	-
Amortization of excess cost	<u>( 30,000)</u>	<u>-</u>
	<u>\$ 270,000</u>	<u>\$ -</u>

The Company issued 1,200,000 subordinate voting shares valued at \$300,000 to acquire 50% of issued and outstanding shares of ITEC, an international internet software solutions provider specializing in e-commerce credit card processing, banking and data management.

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**4. INVESTMENT IN COMPANIES (Continued)**

**(a) Significantly Influenced Companies (Continued)**

	<u>2001</u>	<u>2000</u>
(iii) 1416382 Ontario Limited (1416382)	\$ 250,000	\$ -
Share of income/loss	-	-
Amortization of excess cost	<u>(25,000)</u>	<u>-</u>
	<u>\$ 225,000</u>	<u>\$ -</u>

The Company issued 1,000,000 subordinate voting shares valued at \$250,000 to acquire 50% of issued and outstanding shares of 1416382, a medical company with proprietary technology specializing in internet related applications.

**(b) Less Than 20% Owned Company**

During the year, the Company, in exchange for 750,000 subordinate voting shares valued at \$187,500 acquired 5% of J.R. Concepts Limited ("J.R. Concepts"), a company which main activity is the development, manufacturing, marketing sales and distribution of a therapeutic device.

**5. LICENSE**

The Company issued 1,000,000 subordinate voting shares valued at \$250,000 to acquire non-exclusive audio/video software license which the company is planning to utilize in the natural health business. The license is for the term of five years commencing October 1, 2000 with an option to renew for another five years.

	<u>2001</u>	<u>2000</u>
Cost	\$ 250,000	\$ -
Accumulated amortization	<u>(25,000)</u>	<u>-</u>
	<u>\$ 225,000</u>	<u>\$ -</u>

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**6. CAPITAL ASSETS**

	2001			2000
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Condominium	\$ 182,757	\$ 76,067	\$ 106,690	\$ 112,305
Furniture and equipment	<u>4,278</u>	<u>4,278</u>	<u>-</u>	<u>282</u>
	<u>\$ 187,035</u>	<u>\$ 80,345</u>	<u>\$ 106,690</u>	<u>\$ 112,587</u>

The bank has provided a line of credit of \$100,000 which is secured by a lien on the condominium.

**7. REVENUE PRODUCING PROPERTIES**

At March 31, 2001, the Company owns 1 townhouse unit in Houston, Texas (2000 - 3 units).

	2001			2000
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Townhouses	\$ <u>22,636</u>	\$ <u>4,677</u>	\$ <u>17,959</u>	\$ <u>54,124</u>

**8. RELATED PARTY TRANSACTIONS**

(a) Loans receivable from an officer and director are non-interest bearing and consist of following:

	2001	2000
(i) Share purchase assistance loan secured by the related shares purchased, due on June 17, 2008	\$ -	\$ 42,532
(ii) Home ownership assistance loan	<u>-</u>	<u>10,400</u>
	<u>\$ -</u>	<u>\$ 52,932</u>

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**8. RELATED PARTY TRANSACTIONS (Continued)**

(b) The loans payable to an officer and director are due on demand and consist of the following:

	<u>2001</u>	<u>2000</u>
(i) non-interest bearing	\$ <u>9,075</u>	\$ <u>60,997</u>
(ii) bearing interest at rates varying between nil and 5%, not to be demanded before March 31, 2002	\$ <u>150,000</u>	\$ <u>-</u>

(c) Accounts payable and accrued liabilities include \$14,000 (2000 - \$24,000) in accrued salary to an officer.

**9. MORTGAGES PAYABLE**

First mortgages payable on Timberwood townhouses (Note 7) bear interest at 9% per annum, payable in monthly payments of \$844 and are due November 20, 2002.

The aggregate principal payments due over the next two years are as follows.

2002	\$ 4,317
November 20, 2002	<u>45,231</u>
	<u>\$ 49,548</u>

The three mortgages payable are secured by revenue producing property (Note 7) and two mortgages receivable (Note 3).

**10. CAPITAL STOCK**

**Authorized**

Unlimited number of subordinate voting shares, entitled to 1 vote per share

Unlimited number of multiple voting shares, entitled to 100 votes per share

Unlimited number of Class A shares, issuable in series

Unlimited number of Class B shares, issuable in series

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**10. CAPITAL STOCK (Continued)**

**Issued**

	<u>Subordinate Voting Shares</u>		<u>Multiple Voting Shares</u>		<u>Total</u>
	#	\$	#	\$	\$
Balance, April 1, 1999	5,641,377	6,621,608	108,879	81,659	6,703,267
Stated capital reduction	-	(5,818,167)	-	-	(5,818,167)
Issued for cash	-	-	108,879	43,552	43,552
Balance, March 31, 2000	5,641,377	803,441	217,758	125,211	928,652
Share consolidation on 1:5 basis	1,128,290	-	-	-	-
Issued in exchange for acquisition of investment in companies (Note 4)	3,550,000	887,500	-	-	887,500
Issued in exchange for acquisition of license (Note 5)	1,000,000	250,000	-	-	250,000
Issued in exchange for acquisition of securities	<u>480,000</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
	<u>6,158,290</u>	<u>2,060,941</u>	<u>217,758</u>	<u>125,211</u>	<u>2,186,152</u>

**Share Capital Reduction**

By a special resolution, shareholders of the Company reduced the stated capital of the subordinate voting shares by \$5,818,167, being the amount of the stated capital account not represented by realizable assets.

**Share Consolidation**

By Articles of Amendment, the Company consolidated the subordinate voting shares by issuing one new share for every five shares held and increased vote entitlement of multiple voting shares from 50 to 100 votes per share.

**Officers' and Directors' Options**

As at March 31, 2001, there were options outstanding to officers and directors to purchase up to 11,500 subordinate voting shares at \$6.25 per subordinate voting share until July 3, 2001 (these options to purchase subordinate voting shares expired without being exercised) and there were options outstanding to an officer and director to purchase up to 40,000 subordinate voting shares at \$6.05 per subordinate voting share until March 6, 2002.

**CHAMPION NATURAL HEALTH.COM INC.**  
**(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**11. LOSS PER SHARE**

Loss per share is calculated using the weighted average number of shares outstanding during the year of 3,934,801 (2000 - 1,291,595 after giving effect to the share consolidation 1:5). Outstanding options have no dilutive effect on loss per share.

**12. FINANCIAL INSTRUMENTS**

The Company is currently an investment and real estate holding company.

The carrying amounts reflected in the balance sheet for deposits, accounts payable and accrued liabilities, loans receivable and loan payable approximate fair value due to the short maturities of these instruments.

The carrying amounts for mortgages receivable, mortgages payable and loans payable approximate fair market value due to the prevailing interest rates.

**13. INCOME TAXES**

As at March 31, 2001, the Company has non-capital losses totalling \$750,000 carried forward for income tax purposes which are available to reduce future years' taxable income. The losses expire at various dates through 2008. The Company has allowable capital losses totalling \$2,200,000 which can be carried forward indefinitely to reduce future capital gains.

The Company has a total of \$130,000 in Canadian resource related deductions available to reduce future taxable income.

**Future Tax Assets**

	<u>2001</u>	<u>2000</u>
Net operating loss carry-forwards	\$ 300,000	\$ 352,000
Allowable capital loss carry-forwards	440,000	742,000
Exploration and development expenditures	<u>52,000</u>	<u>59,000</u>
	792,000	1,153,000
Less: Valuation allowance	<u>792,000</u>	<u>1,153,000</u>
Net future income tax assets	\$ <u>-</u>	\$ <u>-</u>

**14. COMPARATIVE FIGURES**

Certain of the comparative figures were reclassified to conform to the current year's presentation.

**CHAMPION NATURAL HEALTH.COM INC.  
(Formerly Champion Gold Resources Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2001**

**15. NON-CASH TRANSACTIONS**

The Company acquired investment in companies amounting to \$1,007,500 (2000 - nil) and license valued at \$250,000 (2000 - nil) by issuance of 5,030,000 subordinate voting shares for total consideration of \$1,257,500.

**16. SUBSEQUENT EVENT**

On July 30, 2001, the Company entered into an agreement to purchase all of the issued and outstanding shares of Nevada Technologies Inc. ("Nevada") in consideration for issuing 2,500,000 subordinate voting shares valued at U.S. \$625,000. Nevada is a gaming entertainment company which owns and operates the online casino [www.CasinoVegas.com](http://www.CasinoVegas.com).

**CHAMPION NATURAL HEALTH.COM INC.**

7 Bishop Avenue  
Suite 404  
Willowdale, Ontario  
M2M 4J4

**INFORMATION CIRCULAR  
AS AT AUGUST 24, 2001****SOLICITATION OF PROXIES**

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF CHAMPION NATURAL HEALTH.COM INC. (formerly Champion Gold Resources Inc.) (the "Company") of proxies to be used at the Annual and Special Meeting of Shareholders of the Company (the "Meeting") to be held at the 1 First Canadian Place, Suite 7210, Toronto, Ontario on Friday, September 28, 2001 at 2:00 o'clock in the afternoon (Toronto time) and at any adjournment thereof for the purposes set forth in the enclosed Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

The Company may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of voting shares of the Company (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of this circular, the notice of meeting and form of proxy to the beneficial owners of such shares. The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose.

**ELECTION OF DIRECTORS**

The board of directors consists of a minimum of three (3) and a maximum of eight (8) directors to be elected annually. The directors of the Company are empowered to determine the number of directors to be elected at the annual meeting of shareholders. The directors have established the number to be elected at the meeting to be three (3) directors. The following table and the notes thereto state the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof.

<u>Name, Office and Principal Occupation <sup>(1)</sup></u>	<u>Director Since</u>	<u>No. of Voting Securities Owned, Controlled or Directed as at August 24, 2001 <sup>(2)</sup></u>
Larry Melnick <sup>(3)</sup> President, Secretary-Treasurer and Director. Self employed consultant.	February 22, 1988	60,190 subordinate voting 217,758 multiple voting
Sophie Melnick <sup>(3)</sup> Director. Retired.	September 28, 1993	1,000 subordinate voting
Michael Carsell <sup>(3)</sup> Director. Construction Worker.	July 20, 1992	400 subordinate voting

*Notes:*

- (1) *The principal occupations of the each of the nominees during the past five years is as set forth above.*
- (2) *The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.*
- (3) *Member of the audit committee.*

The term of office of each director will be from the date of the meeting at which he is elected until the next annual meeting, or until his successor is elected or appointed.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.** Management has no reason to believe that any of the nominees will be unable to serve as a director but, **IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.**

## EXECUTIVE COMPENSATION

### Compensation Summary

The table below sets forth information concerning the compensation of the Company's chief executive officer for the Company's fiscal years ended March 31, 2001, 2000 and 1999.

Summary Compensation Table

Name and Principal Position	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			All Other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs <sup>(1)</sup> Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP <sup>(2)</sup> Payouts (\$)	
Larry Melnick President	2001	\$24,000	Nil	Nil	45,500 <sup>(3)</sup>	Nil	Nil	Nil
	2000	\$24,000	Nil	Nil	45,500 <sup>(3)</sup>	Nil	Nil	Nil
	1999	\$24,000	Nil	Nil	45,500 <sup>(3)</sup>	Nil	Nil	Nil

Notes:

- (1) Stock appreciation rights.
- (2) Long term incentive plans.
- (3) Subordinate voting shares

Long Term Incentive Plan Awards

The Company has no long term incentive plan.

Stock Option Plan

On August 29, 1994, the shareholders of the Company approved the establishment of a stock option plan (the "Plan") relating to the subordinate voting shares of the Company. On September 24, 1998 shareholders of the Company approved an increase in the number of subordinate voting shares of the Company to be granted under the Plan. Eligibility for participation in the Plan is restricted to directors, officers, employees and consultants of the Company and its affiliates. The number of shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 200,000 subordinate voting shares in the aggregate and with respect to any one optionee 5% of the number of issued and outstanding subordinate voting shares of the Company at the date of the grant of the option. The exercise price of any option granted under the Plan may not be less than the fair market value (i.e., the prevailing market price) of the subordinate voting shares at the time the option is granted. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed ten years and are subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be a director and/or officer of the Company, or upon the retirement, permanent disability or death of an optionee. The options are non-transferable.

The board of directors of the Company has, subject to shareholders' approval, proposed amending the plan to increase the number of subordinate voting shares subject thereto from 200,000 to 1,500,000. See "Special Business -- 2. Amendment to Stock Option Plan".

Stock Option Grants

No options to purchase or acquire securities of the Company were granted during the financial year ended March 31, 2001 to the Company's chief executive officer or directors.

Stock Options Exercised and Held

The following information concerns each exercise of options during the most recently completed financial year ended March 31, 2001 by the Company's chief executive officer and the financial year-end value of unexercised options held, on an aggregated basis.

**Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year  
and Financial Year-End Option/SAR Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at FY-End (#)	Value of Unexercised in-the-Money Options/SARs at FY-End (\$)
			Exercisable/ Unexercisable	Exercisable/ Unexercisable
Larry Melnick	Nil	\$Nil	45,500 <sup>(1)</sup> /Nil	\$Nil <sup>(2)</sup> /Nil

## Notes:

- (1) Options to purchase 40,000 subordinate voting shares at a price of \$6.05 per share exercisable on or before March 6, 2002 and options to purchase 5,500 subordinate voting shares at a price of \$6.25 exercisable on or before July 3, 2001 (the latter options expired without being exercised).
- (2) Based on the last bid price of \$0.02 and a last trade of \$0.05 per share for the subordinate voting shares of the Company on the Canadian Unlisted Board as of March 31, 2001.

Employment and Management Agreements

The Company entered into an employment agreement made as of May 30, 1988, as amended, with Mr. Larry Melnick, 7 Bishop Avenue, Suite 404, Willowdale, Ontario pursuant to which the Company employs Mr. Melnick as President of the Company at a salary of \$800 per month (\$2,000 per month prior to January 1, 1991). The original term of the agreement was for one year commencing June 1, 1988, automatically renewable up to five years and subject to termination upon 60 days notice. On August 20, 1993 the board of directors further amended the employment agreement to provide that the term of employment could be automatically renewed on a yearly basis for a further term of up to five years. On August 11, 1998 the board of directors further amended the employment agreement to provide that the term of employment could be automatically renewed on a yearly basis for a further term of up to five years. Pursuant to the employment agreement, during the fiscal year ended March 31, 2001 the Company became obligated to pay to Mr. Melnick \$9,600 (of which \$4,000 was paid).

On August 20, 1993, the Company entered into a management agreement with Mr. Melnick, to have effect from June 1, 1993, whereunder Mr. Melnick agreed to provide managerial and consulting services to the Company and hold the office of President of the Company. In consideration of such services, the Company agreed to pay to Mr. Melnick the sum of \$1,200 per month. The term of such agreement was for five years commencing June 1, 1993, and was automatically renewable thereafter from year to year and may be earlier terminated by either party on ninety days written notice. On August 11, 1998 the board of directors amended the management agreement to provide that the term of employment could be automatically renewed on a yearly basis for a further term of up to five years. Upon termination prior to May 30, 2003 (including deemed termination in the event two or more persons who are not nominees of management of the Company are elected to the board of directors) Mr. Melnick shall be paid a lump sum severance payment equal to the balance of the payments to be paid in respect of the unexpired original term thereof. During the fiscal year of the Company ended March 31, 2001, the Company became obligated to pay to Mr. Melnick the sum of \$14,400 pursuant to such management agreement (of which \$6,000 was paid).

### Compensation of Directors

During the fiscal year ended March 31, 2001, no compensation was paid to the directors of the Company and no options to acquire subordinate voting shares were granted to or exercised by the directors of the Company.

### Indebtedness of Directors, Executive Officers and Senior Officers

The following information concerns each individual who is, or at any time during the most recently completed financial year of the Company ended March 31, 2001 was, a director, executive officer or senior officer of the Company, each proposed nominee for election as a director of the Company and each associate of any such director, officer or proposed nominee, who is, or at any time since the beginning of the most recently completed financial year of the Company ended March 31, 2001 has been, indebted in the amount of \$25,000 or more to the Company or any of its subsidiaries or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company (or any of its subsidiaries) in connection with a purchase of securities of the Company or any of its subsidiaries. As at the date hereof, none of the officers, directors, employees and former officers, directors and employees of the Company or any of its subsidiaries are indebted to the Company or any of its subsidiaries or to another entity the indebtedness to which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries in connection with a purchase of securities. See "Other Material Facts - Share Purchase Assistance Loan Agreement."

**Table of Indebtedness of Directors, Executive Officers and Senior Officers  
Under Securities Purchase Programs**

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Financial Year Ended March 31, 2001 (\$)	Amount Outstanding as at August 24, 2001 (\$)	Financially Assisted Securities Purchases During Financial Year Ended March 31, 2001 (\$)	Security for Indebtedness
Larry Melnick President	The Company is the Lender	\$42,532	SNIL	SNil	Pledge of Shares

The following information concerns each individual who is, or at any time during the most recently completed financial year of the Company ended March 31, 2001 was, a director, executive officer or senior officer of the Company, each proposed nominee for election as a director of the Company and each associate of any such director, officer or proposed nominee, who is, or at any time since the beginning of the most recently completed financial year of the Company ended March 31, 2001 has been, indebted to the Company or any of its subsidiaries or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company (or any of its subsidiaries) other than in connection with a purchase of securities of the Company or any of its subsidiaries. As at the date hereof, none of the officers, directors, employees and former officers, directors and employees of the Company or any of its subsidiaries are indebted to the Company or any of its subsidiaries or to another entity the indebtedness to which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than in connection with a purchase of securities. See "Other Material Facts – Financial Assistance to Employee".

**Table of Indebtedness of Directors, Executive Officers and Senior Officers  
Other than Under Securities Purchase Programs**

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During the Financial Year Ended March 31, 2001 (\$)	Amount Outstanding as at August 24, 2001 (\$)
Larry Melnick President	The Company is the Lender	\$10,400	SNIL

**APPOINTMENT OF AUDITORS**

**Change of Auditors**

Management of the Company received a letter of resignation from the Company's incumbent auditor, Jack L. Segal, Chartered Accountant, effective August 1, 2001. On August 1, 2001, the board of directors of the Company appointed in his place Kraft, Berger, Grill,

Schwartz, Cohen and March LLP, Chartered Accountants, as auditor of the Company to hold office until the next annual meeting of shareholders. Jack L. Segal, Chartered Accountant, had been the auditor of the Company since March 3, 1998.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF JACK L. SEGAL, CHARTERED ACCOUNTANT, AS AUDITOR OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX HIS REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.**

In accordance with the provisions of National Policy 31, annexed to this information circular as Exhibit "1" is the required reporting package, including written confirmation that the Notice of Change of Auditor of the Company (the "Notice") to Jack L. Segal, Chartered Accountant, stating that there are no reportable events and the letters of Jack L. Segal, Chartered Accountant and Kraft, Berger, Grill, Schwartz, Cohen and March LLP, Chartered Accountants to the Ontario Securities Commission stating their agreement with the Notice have been reviewed by the board of directors of the Company.

#### **REPORT OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS**

The 2001 Annual Report, including the financial statements for the fiscal year ended March 31, 2001 and the report of the auditor thereon are annexed to the Information Circular and will be submitted to the meeting of shareholders. Receipt at such meeting of the auditor's report and the Company's financial statements for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein.

#### **SPECIAL BUSINESS**

##### **1. Arms' Length Private Placements and Debt Settlements**

A quickly accessible and cost effective source of capital presently available to the Company is equity financing. In order for the Company to raise funds to carry on its ongoing business activities and to make acquisitions, the Company may arrange private placement subscriptions for shares. The Company may also issue shares to arm's length creditors of the Company by way of private placements in satisfaction of indebtedness.

Shareholders are being asked to pass a resolution authorizing the Company to enter into private placement agreements with arm's length subscribers or debt settlement agreements with arm's length creditors during the ensuing twelve month period providing for the issuance of up to 100% of the number of subordinate voting shares outstanding as at the date of the meeting (namely 8,658,290 subordinate voting shares). It is not the current intention of management to issue the entire number of shares authorized pursuant to the proposed resolution. However, certain rules and policies of the Ontario Securities Commission and the rules and regulations of most Canadian stock exchanges ("Securities Legislation") require the approval of

shareholders for a private placement (including debt settlements by way of a private placement) if, among other things, the number of shares of the class proposed to be issued is equal to or greater than 25% of the number of the issuer shares of that class outstanding before giving effect to the issuance of the shares which are subject of the private placement (and for purposes of such calculation, any warrant forming part of the private placement are usually deemed to have been exercised).

Management considers that it is in the best interests of the Company to obtain a blanket authorization from the shareholders for additional private placements and debt settlements to be entered into during the next twelve months. Blanket approval will obviate the necessity of obtaining shareholder approval for each specific private placement or debt settlement thereby reducing the time required to obtain regulatory approval therefor and decreasing the Company's administrative costs relating to such private placements or debt settlements.

The private placements will only be negotiated if management believes the subscription price is reasonable in the circumstances and if the funds are required by the Company to continue or expand its activities. Similarly, the Company will only agree to issue shares to settle debt owed by the Company to arm's length creditors if management believes the settlement terms are reasonable in the circumstances. No change in the control of the Company will result from the private placements or debt settlements. All private placements and debt settlements authorized hereunder will be made with, respectively, arm's length places and arm's length creditors and the subscription prices will comply with applicable Securities Legislation.

In the event that shareholders do not pass the resolution authorizing the Company to issue up to 100% of the number of subordinate voting shares outstanding as at the date of the meeting (namely 8,658,290 subordinate voting shares) by way of private placements with arm's length subscribers or in settlement of debt with arm's length creditors, the Company may be required to seek shareholder approval for private placements or debt settlements negotiated hereafter.

In order to approve the above resolution, a majority of the votes cast at the meeting must be voted in favour thereof. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF AUTHORIZING PRIVATE PLACEMENTS UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST THE RESOLUTION.**

## 2. Amendment to Stock Option Plan

Under the provisions of the current stock option plan of the Company (the "Plan") 200,000 subordinate voting shares have been available for issuance under incentive stock options granted pursuant to the terms of the Plan. Due to the increase in the number of issued and outstanding subordinate voting shares of the Company over the past year, it is proposed that the number of subordinate voting shares which may be issued upon the exercise of incentive stock options granted pursuant to the terms of the Plan be increased by 1,300,000 to a total of 1,500,000 subordinate voting shares which would represent approximately 17.32% of the present issued and outstanding subordinate voting shares.

In order to be effective, this amendment must be approved by a majority of the votes cast at the Meeting, other than the votes attached to securities beneficially owned by insiders of the Company to whom subordinate voting shares may be issued pursuant to the Plan (i.e. the directors and senior officers of the Company and its subsidiaries) and their associates. To the Company's knowledge, as at the date hereof the number of subordinate voting shares beneficially owned by the directors and senior officers of the Company and its subsidiaries and their associates is 61,590 subordinate voting shares and the number of multiple voting shares beneficially owned by the directors and senior officers of the Company and its subsidiaries and their associates is 217,758 multiple voting shares. In the event that the amendment to the Plan is approved, shareholder approval will not be required for the granting of options to purchase an aggregate of 1,500,000 subordinate voting shares thereunder. However, in the event that the board determines to further increase the number of shares subject to the Plan, such increase will be subject to the further approval of the Company's shareholders.

The following table provides details regarding the Company's outstanding stock options:

	Options Outstanding	Plan Maximum	Available for Future Grant
March 31, 2001	51,500	200,000	148,500
Options expiring after year end	11,500	-	(11,500)
Totals - August 24, 2001	40,000	200,000	160,000
Proposed Increase		1,300,000	1,300,000
Reconstituted Plan as at August 24, 2001	40,000	1,500,000	1,460,000

Management of the Company believes it is important to maintain the availability of incentive stock options to directors, officers, employees and consultants of the Company as a form of remuneration particularly in cases where the member of the Company's management does not receive a salary or fee for services as such.

In order to be approved, this resolution must be passed by a majority of votes cast at the meeting by disinterested shareholders, being those shareholders other than insiders of the Company who may be granted incentive stock options under the Plan and their associates. To the best of the knowledge of the Company's management votes attaching to 61,590 subordinate voting shares and 217,758 multiple voting shares will not be counted for the purpose of determining whether the required level of shareholder approval has been obtained, such number being the voting securities held by insiders of the Company who may be granted incentive stock options under the Plan and their associates. In the event that approval is not obtained the Plan will not be amended.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED TO AMEND THE CURRENT PLAN TO PROVIDE FOR THE GRANTING OF OPTIONS TO PURCHASE UP TO 1,500,000 SUBORDINATE VOTING SHARES UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

#### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Toronto Stock Exchange has adopted guidelines regarding the disclosure by companies of their approach to corporate governance (the "Guidelines"). This section of the information circular is management's voluntary response to the Guidelines.

The Guidelines recognize that some of the recommendations for corporate governance that are made may be overly expensive and thus inappropriate for some companies. The Board of Directors considered the Guidelines and rejected those which the Board of Directors felt were overly expensive and inappropriate for the size of the Company. The Board of Directors concluded that adding such overhead costs would needlessly reduce the return on shareholders' equity.

#### The Role of the Board of Directors

The role of the Board of Directors is to oversee the conduct of the Company's business and to supervise management, which is responsible for the day-to-day conduct of business. In addition, the Board of Directors' function is to ensure that no issue affecting the business and affairs of the Company goes unaddressed.

The Board of Directors discharges five principal responsibilities as part of its overall stewardship responsibility of the Company:

Strategic planning process: given the Company's size, its strategic plan is elaborated directly by the Board of Directors with the assistance of management;

Managing risk: the Board of Directors directly oversees most aspects of the business of the Company and thus, does not require the elaboration of "systems" or the creation of committees to effectively monitor and manage the principal risks of all aspects of the business of the Company;

Appointing, training and monitoring senior management: no elaborate system of selection, training and assessment of management has been established, as these would prove too costly; however, the Board of Directors closely monitors management's performance, which is measured against the overall strategic plan, through regular meetings with management;

Communication policy: it is and has always been the Board of Directors' unwritten policy to communicate effectively with its shareholders, other stakeholders and the public

generally through statutory filings and mailings, as well as press releases; the shareholders are also given an opportunity to make comments or suggestions at shareholders meetings; these comments and suggestions are then factored into the Board of Directors' decisions;

Ensuring the integrity of the Company's internal control and management information systems: given the involvement of the Board of Directors in operations, the reports from and the meetings with management, the Board of Directors can effectively track and monitor the implementation of approved strategies.

### **The Composition of the Board of Directors and the Establishment of Board of Directors Committees**

The Company's Board of Directors is currently comprised of three directors of which one can be defined as an "unrelated director", that is, a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with their ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. A majority of the directors are outside directors.

The Board of Directors presently has one committee, namely an audit committee comprised of three directors, a majority of whom are outside directors and one of whom is an unrelated director.

The Board of Directors does not have a separate process for assessing the effectiveness of the Board of Directors as a whole, any committees of the Board of Directors or the contribution of individual directors. However, each Board member and the Board of Directors as a whole is free at any time to raise any issues which may arise with respect to the effectiveness of the Board of Directors or any individual member.

The audit committee is responsible for all matters related to the preparation, report and audit of the financial performance of the Company both internally and to its members. Included as its principal responsibilities the audit committee is required:

- (a) to satisfy itself that the Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to the Board of Directors whether the annual statements should be approved; and
- (b) to ensure that the external audit function has been effectively carried out and that any matter which the external auditors wish to bring to the Board of Directors' attention has been addressed.

In keeping with the Guidelines, the Board of Directors examined the possibility of setting up other committees. It was decided that no additional committees would be created during the course of the next fiscal year in addition to the audit committee.

The Company does not provide a formal orientation and education programme for new directors. However, new directors are given an opportunity to familiarize themselves with the Company by meeting other members of the Board of Directors as well as members of management. Moreover, new directors are invited to meet with the Company's solicitors to be familiarized with their legal responsibilities.

#### The Board of Directors' Performance and Directors' Compensation

Without convening a special meeting for this purpose, the Board of Directors periodically undertakes an assessment exercise addressing its effectiveness, with input from management.

Board of Directors remuneration is divulged in the information circular which is sent to shareholders prior to shareholder meetings.

#### The Board of Directors' Relations with Management

Mr. Larry Melnick, President of the Company is on the Board of Directors. However, the Board of Directors feels that this is not an impediment to the proper discharge of the Board of Directors' responsibilities. Furthermore, the interaction between Mr. Larry Melnick and Board of Directors members both inside and outside of Board of Directors meetings ensures that the Board of Directors is properly informed and that the Board of Directors members' experience is brought to bear when needed by management.

The Company's Board of Directors remains sensitive to the corporate governance issues raised by the Guidelines and has sought to evaluate current systems to ensure an effective discharge of the Board of Directors' responsibilities without incurring unnecessary overhead costs or reducing the return on shareholders' equity.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No person who has been a director or an officer of the Company at any time since the beginning of its last completed financial year or any associate of any such director or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting, except as disclosed in this Information Circular.

#### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management knows of no matters to come before the meeting of shareholders other than as set forth in the notice of meeting. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.**

## APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy represent management of the Company. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, TO REPRESENT HIM AT THE MEETING MAY DO SO** by filling in the name of such person in the blank space provided in the proxy or by completing another proper form of proxy. A shareholder wishing to be represented by proxy at the meeting or any adjournment thereof must, in all cases, deposit the completed proxy with the Company's transfer agent and registrar Equity Transfer Services Inc., Suite 420, 120 Adelaide Street West, Toronto, Ontario, M5H 4C3, not later than 4:30 p.m. (Toronto time) on September 26, 2001, or if the meeting is adjourned, not later than 48 hours, excluding Saturdays and holidays, proceeding the time of such adjourned meeting. A proxy should be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the meeting on the day of such meeting or any adjournment thereof and thereupon the proxy is revoked.

A shareholder attending the meeting has the right to vote in person and, if he does so, his proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the meeting or any adjournment thereof.

## EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the meeting, the shares represented by the proxy shall be voting accordingly. **WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE APPOINTMENT OF AUDITORS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION AND FOR EACH ITEM OF SPECIAL BUSINESS, AS STATED ELSEWHERE IN THIS CIRCULAR. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE.** At the time of printing this circular, the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

At the date hereof, the Company has outstanding 217,758 multiple voting shares, each of which carries one hundred votes per share and 8,658,290 subordinate voting shares, each of which carries one vote per share. To the knowledge of the directors and officers of the Company, the only persons or corporations beneficially owning, directly or indirectly, or exercising control or direction over securities carrying in excess of 10% of the voting rights attached to any class of outstanding voting securities of the Company are:

<u>Name of Shareholder</u>	<u>Approximate No. of Securities So Owned, Controlled or Directed</u>	<u>Percent of the Class of Outstanding Voting Securities So Owned</u>
Larry Melnick	217,758 Multiple Voting 60,190 Subordinate Voting	100% 0.695%
DOTCOM 2000 Inc.	1,000,000 Subordinate Voting	11.55%

Persons registered on the books of the Company at the close of business on August 21, 2001 (the "record date") and persons who are transferees of any shares acquired after such record date and who have produced properly endorsed certificates evidencing such shares or who otherwise establish ownership thereof ~~sand~~ demand, not later than 10 days before the annual and special meeting, that their names be included in the list of shareholders, are entitled to vote at the annual and special meeting of the Company.

### Conversion of Multiple Voting Shares Purchased under a Takeover Bid

If an offeror shall directly or indirectly purchase multiple voting shares pursuant to an offer (i) which is a take-over bid as defined by the securities legislation applicable to such offer or (ii) which, if such securities legislation defines the threshold for a takeover bid in terms of a certain stated portion or percentage of securities (whether or not of any particular class or type) of a company or other issuer, would have been a takeover bid as defined by such securities legislation had such securities legislation not so defined such threshold but rather had defined such threshold as being voting securities of a corporation carrying the same stated portion or percentage of the votes carried by all securities, in the aggregate, of such corporation entitling the holders thereof to vote in an election of the directors of such corporation, under circumstances that such offeror would have been required by the securities legislation applicable to such offer to make that same offer, or a follow-up offer, for subordinate voting shares had such offer been made in respect of subordinate voting shares (and not the multiple voting shares) and had such offer constituted a take-over-bid as defined by such securities legislation, then the multiple voting shares so purchased shall be deemed to have been converted, immediately prior to the time that such offer was made, into an equal number of such subordinate voting shares unless either:

- (i) the purchase was made pursuant to a take-over bid offer made to all holders of multiple voting shares resident in Canada, which take-over bid offer was also made to all holders of subordinate voting shares resident in Canada on terms

which on all material respects treated such holders as if the shares of any such class which they held together comprised the same class of shares, or

- (ii) not earlier than five business days prior to the date upon which the offer which constituted such take-over bid was made, and not later than the time that such purchase was completed, the purchaser or purchasers of such multiple voting shares made an unconditional offer to all holders of subordinate voting shares resident in Canada to purchase all subordinate voting shares held by them at a price per share at least as high, and payable in identical consideration, as the highest price per share paid pursuant to such take-over bid for any of the multiple voting shares so purchased.

## OTHER MATERIAL FACTS

### Share Purchase Assistance Loan Agreement

Pursuant to an agreement (the "Loan Agreement") made as of June 17, 1988 between Larry Melnick, National Trust Company and the Company, the Company lent Larry Melnick the sum of \$73,750 to enable him to subscribe for securities of the Company. The funds lent pursuant to the Loan Agreement are interest free and become due and payable on June 17, 2008 (originally June 17, 1998). The securities of the Company acquired with the funds, namely 368,750 units ("Units"), each Unit being comprised of one (1) Common Share and one Series A Warrant entitling the holder to purchase one (1) Common Share at a price of \$0.30 per share on or before June 17, 1993, (which expired unexercised) which as a result of the filing of articles of amendment effective October 4, 1994 and July 21, 2000 became an aggregate of 2,950 subordinate voting shares, are pledged and held in trust to secure the funds lent. The Loan Agreement was authorized by the board of directors of the Company on April 20, 1988 and shareholders approved and confirmed the directors actions on June 17, 1988. The balance owing to the Company is \$NIL. On August 11, 1998, the board of directors of the Company passed a resolution extending the maturity date of the Loan Agreement to June 17, 2008 and shareholders approved and confirmed the directors actions on September 24, 1998.

### Shareholder Advances

During the fiscal year ended March 31, 2001, \$51,922 was repaid to Mr. Larry Melnick by the Company decreasing the aggregate amount of advances made by Mr. Melnick to the Company to \$9,075. Such amount is interest free and payable on demand.

### Financial Assistance to Employee

Pursuant to an agreement made as of September 1, 1994 between the Company and Mr. Larry Melnick, the President, Secretary-Treasurer, a director and a shareholder of the Company, the Company lent Mr. Melnick the sum of \$24,000 to enable Mr. Melnick to purchase living accommodation for his occupation. The loan, the principal amount of \$24,000, is non-interest bearing and is repayable as to principal only at the rate of \$200 per month, resulting in full repayment 10 years from the date of advance. The loan may be prepaid in part or in full at

any time. The financial assistance was approved by shareholders of the Company on August 29, 1994. The balance owing to the Company as at the date hereof is \$NIL.

-Amendment to Articles of the Company

Effective July 21, 2000 the articles of the Company were amended as follows:

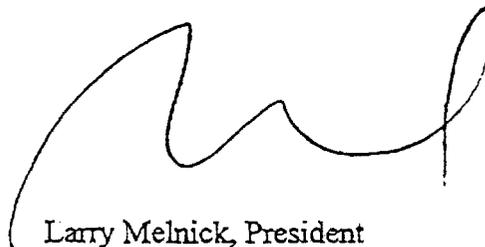
- (a) revising the provisions prohibiting subdivision consolidation or change of the subordinate voting shares or multiple voting shares unless the issued shares of each class are subdivided, consolidated or otherwise changed in the same proportion and in the same manner;
- (b) increasing the voting rights attached to each of the issued and outstanding multiple voting shares of the Company from fifty (50) votes to one hundred (100) votes for each multiple voting share held;
- (c) consolidating each of the issued and outstanding subordinate voting shares of the Company by changing each five (5) issued subordinate voting shares without par value into one (1) subordinate voting share (1:5), subject to upward adjustment in the event the consolidation would otherwise result in a shareholder of the Company holding a fraction of a share, in which case such shareholder shall receive one (1) whole share of the Company for each such fraction; and
- (d) changing the name of the Company to "Champion Natural Health.com Inc."

**GENERAL**

Except where otherwise indicated, information contained herein is given as of August 24, 2001.

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Company.

DATED this 24<sup>th</sup> day of August, 2001.



Larry Melnick, President

## EXHIBIT "1"

CONFIRMATION  
CHANGE OF AUDITOR OF CHAMPION NATURAL HEALTH.COM INC.

TO: ONTARIO SECURITIES COMMISSION

AND TO: ALBERTA SECURITIES COMMISSION

AND TO: JACK L. SEGAL, Chartered Accountant

AND TO: KRAFT BERGER GRILL SHWARTZ COHEN & MARCH LLP,  
Chartered Accountants

We confirm that Notice of Change of Auditor, the letter of Jack L. Segal, Chartered Accountant and the letter of Kraft Berger Grill Shwartz Cohen & March LLP, Chartered Accountants annexed hereto as Schedules "A", "B" and "C", respectively, have been reviewed by the audit committee and board of directors of Champion Natural Health.com Inc.

CHAMPION NATURAL HEALTH.COM INC.

Per: \_\_\_\_\_

Larry Melnick, President

**SCHEDULE "A"**

**NOTICE OF CHANGE OF AUDITOR**

**TO: JACK L. SEGAL, Chartered Accountant**  
**AND TO: KRAFT BERGER GRILL SCHWARTZ COHEN & MARCH LLP,**  
**Chartered Accountant**  
**AND TO: ONTARIO SECURITIES COMMISSION**  
**AND TO: ALBERTA SECURITIES COMMISSION**

**TAKE NOTICE THAT** Jack L. Segal tendered his resignation as auditor of Champion Natural Health.com Inc. (the "Company") and that upon such resignation, the board of directors of the Company filled the vacancy so created with Kraft Berger Grill Schwartz Cohen & March LLP, Chartered Accountants for the balance of Jack L. Segal's unexpired term, being until the next annual meeting of the Company.

**TAKE FURTHER NOTICE THAT:**

- (a) there have been no reservations contained in the auditor's reports on the annual financial statements of the Company for the two (2) fiscal years immediately preceding the date of this notice nor for any period subsequent to the most recently completed period for which an audit report was issued;
- (b) the Company's Board of Directors and Audit Committee have approved and accepted the resignation of Jack L. Segal and approved the appointment of Kraft Berger Grill Shwartz Cohen & March LLP as auditor of the Company; and
- (c) in the opinion of the Company no reportable events occurred prior to the Company's recommendation to appoint Kraft Berger Grill Shwartz Cohen & March LLP, Chartered Accountants as auditor of the Company. Reportable events means disagreements or unresolved issues between the Company and Jack L. Segal and consultations between the Company and Jack L. Segal, Chartered Accountant.

**DATED** at Toronto, Ontario this 1<sup>st</sup> day of August, 2001.

**CHAMPION NATURAL HEALTH.COM INC.**

Per: \_\_\_\_\_

Larry Melnick, President

SCHEDULE "B"

JACK L. SEGAL B.Comm.  
Chartered Accountant

3160 Steeles Avenue East, Ste. 300  
Markham, Ontario L3R 3Y2  
Telephone (905) 475-2265  
Facsimile (905) 475-9360  
Cellular (416) 720-3021

August 1, 2001

Ontario Securities Commission  
Ste 800  
20 Queen Street West  
Toronto, Ontario  
M5H 3S8

Dear Sirs/Mesdames:

Re: Champion Natural Health.com Inc.

As required by National Policy No. 31 of Canadian Provincial Securities Administrators, I have reviewed the information contained in the Notice of Change of Auditors of Champion Natural Health.com Inc. (the "Corporation") dated August 1, 2001 (the "Notice") and, based on my knowledge of such information at this time, I do not disagree with the information contained in such notice.

I understand that notice of such change will be mailed to all shareholders of the Corporation.

Yours very truly,

  
Jack L. Segal, C. A.

**Kraft, Berger, Grill, Schwartz, Cohen & March LLP**

CHARTERED ACCOUNTANTS

3160 STEELES AVENUE EAST SUITE 300 MARKHAM ONTARIO L3R 3Y2 TEL (905) 475-2222 1-888-563-6868 FAX (905) 475-9360 E-Mail: accountants@kbgca.com

August 1, 2001

Ontario Securities Commission  
 Suite 1800  
 20 Queen Street West  
 Toronto, Ontario  
 M5H 3S8

Dear Sirs/Mesdames:

**Re - Champion Natural Health.com Inc.**

As required by National Policy No. 31 of Canadian Provincial Securities Administrators, National Policy Statement No. 31, we have reviewed the information contained in the Notice of Change of Auditors of Champion Natural Health.com Inc. (the "Corporation") dated August 1, 2001 (the "Notice") and, based on our knowledge of such information at this time, we do not disagree with the information contained in such Notice.

We understand that notice of such change will be mailed to all shareholders of the Corporation.

Yours very truly,

*Kraft, Berger, Grill, Schwartz, Cohen & March LLP*

**KRAFT, BERGER, GRILL, SCHWARTZ, COHEN & MARCH LLP**  
 Chartered Accountants

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**PARTNERS:**

Bernard Kraft, CA-IFA, C.B.V., A.S.A., C.F.E.      David Yabrov, B.B.A., C.A., M.B.A., C.B.V., A.S.A.  
 Norman Grill, C.A., CFP      Elias Benaim, B.A., B.Com., C.A.  
 Alan Schwartz, C.A.      Howard Bergman, B.Com., C.A.  
 Paul Cohen, C.A.      Jeff Westreich, B.A., C.A., CFP  
 Harry March, B.A., C.A.

**CONSULTANTS:**

Morris H. Starkman, B.Com., C.A.  
 Irving Berger, C.A.

MEMBER OF

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