



**Royal Standard  
Minerals Inc.**

2001 Annual Report



## Directors

**Roland M. Larsen**, President, has over 30 years of experience in the natural resources industry in exploration and management roles. He has devoted the last 11 years as an officer of public companies primarily in the natural resources business. Earlier in his career he worked with BHP Minerals International Inc. for a period of 10 years. Prior to that he was a senior geologist for NL Industries Inc. In addition he has several years of experience working with consulting geologists and engineering firms including Derry, Michener & Booth and WGM. He is a member of the SEG and AIME. Mr. Larsen holds a M.S. degree in geology from the University of Tennessee.

**Mackenzie I. Watson** has been a prominent contributor to the Canadian mining industry for several decades. He is currently the president of Freewest (Canada) Resources Inc. and was involved in the discovery of the Holloway Gold deposit with Hemlo Gold Mines. Earlier in his career, he was president and exploration manager of Lynx-Canada Exploration Ltd., which, under his leadership, discovered numerous precious, base metals and coal deposits. Prior to that, he was a project geologist for the Icon Syndicate, where he participated in the discovery of the Sullivan Mine in Chibougamau, Quebec. Mr. Watson holds a B.Sc. degree in geology from the University of New Brunswick.

**James C. Dunlop** is Managing Director of Canada Trust Investment Group, Inc. Since graduating with a B.A. from University of Western Ontario in 1972, Mr. Dunlop has worked at increasingly senior positions within the Canadian investment community. Prior to joining Canada Trust in 1994, Mr. Dunlop held senior investment management responsibilities with CIBC and Wood Gundy, where he specialized in fixed income investments. Sharpe Resources Corporation benefits from Mr. Dunlop's counsel on economic and commodity matters and from his contacts in the investment community.

**Kimberly L. Koerner** is a financial coordinator with Argent Ventures, LLC in New York. Since graduating with a B.A. in Business Administration from the University of South Carolina – Columbia in 1991, she has been employed with NPES of Reston, Virginia and Sharpe Energy Company of Houston, Texas.

## Management

**Timothy D. Master**, Exploration Manager, has more than 25 years of experience as an exploration and development of gold-silver, base metals and uranium deposits in the US. He has spent the last 13 years in Nevada gold exploration and reserve delineation. He has worked as a staff geologist for Chevron Resources, Gencor, Western States Minerals, Atlas Minerals, Callahan Mining and western Mine Development. Consulting-contract positions were held with Weyerhaeuser, Kennecott, Glamis and Echo Bay. His experience includes generative prospect identification, acquisitions and reserve definition, both surface and underground. His current position has focused on the acquisition and delineation of shallow underground mineable reserves at Manhattan and other promising projects in Nevada. He is a member of SEG and has a M.S. degree in geology from the University of Wyoming.



## To Our Shareholders

In 2001 the Company increased its property position in Nevada. The initial concentration of our efforts was within the Manhattan Mining District in Nye County, Nevada. Several properties were acquired including the high-grade Gold Wedge deposit which is in the mine feasibility stage of development and several other properties with very good exploration potential within the district.

Continued effort on the Carlin Trend has resulted in expanding our interest on the Company's Pinon project area and the acquisition of a property, Ruby Ridge, located 8 miles northeast of Newmont's Midas gold mine. The Carlin Trend has produced more than 50 million ounces of gold in an area that continues to build gold reserves.

The development of gold/silver projects in Nevada has been a strategic direction for RSM over the past five years. The management has been positioning the Company for what it believes are significant opportunities in the near term to develop high-grade underground and open pit deposits with significant exploration potential. The Como District program represents a significant opportunity for the Company to develop additional gold reserves in Nevada. Capitalizing on the availability of high quality gold/silver deposits that can be developed with capital costs that are more inline with corporate objectives and will result in a shorter period for capital recovery and future profitability.

The company remains optimistic that the current strategy will lead to solid corporate growth.

[signed] Roland M. Larsen

May 2002



## Corporate Profile

Royal Standard Minerals is a Reno, Nevada based natural resources company concentrating on gold exploration and development programs in Nevada. The Company has an interest in five (5) advanced and exploration-stage gold projects. RSM is focused on controlling all or a majority interest in multi-deposit target areas with the objective of developing multiple deposits within each district play. The company intends to target resources that could contain a minimum 1 million ounces of gold per district or deposit. The development of gold/silver deposits has been a strategic direction for the Company over the past 5 years.

The Company is listed on the Canadian Ventures Exchange (CDNX) under the symbol RSM. It is also listed on the OTC Bulletin Board in the US as RYSMF. Royal Standard Minerals has approximately 19,121,298 shares issued and outstanding at yearend 2001.

### Highlights of 2001

---

- ▶ Increased activities in Nevada Gold acquisitions concentrating on a district wide effort to achieve multi-deposit control
- ▶ Acquired the advanced exploration projects in 3 key areas:
  - Manhattan Mining District – Nye County, Nevada
  - Carlin Trend – Elko County, Nevada
  - Como District – Lyon County, Nevada

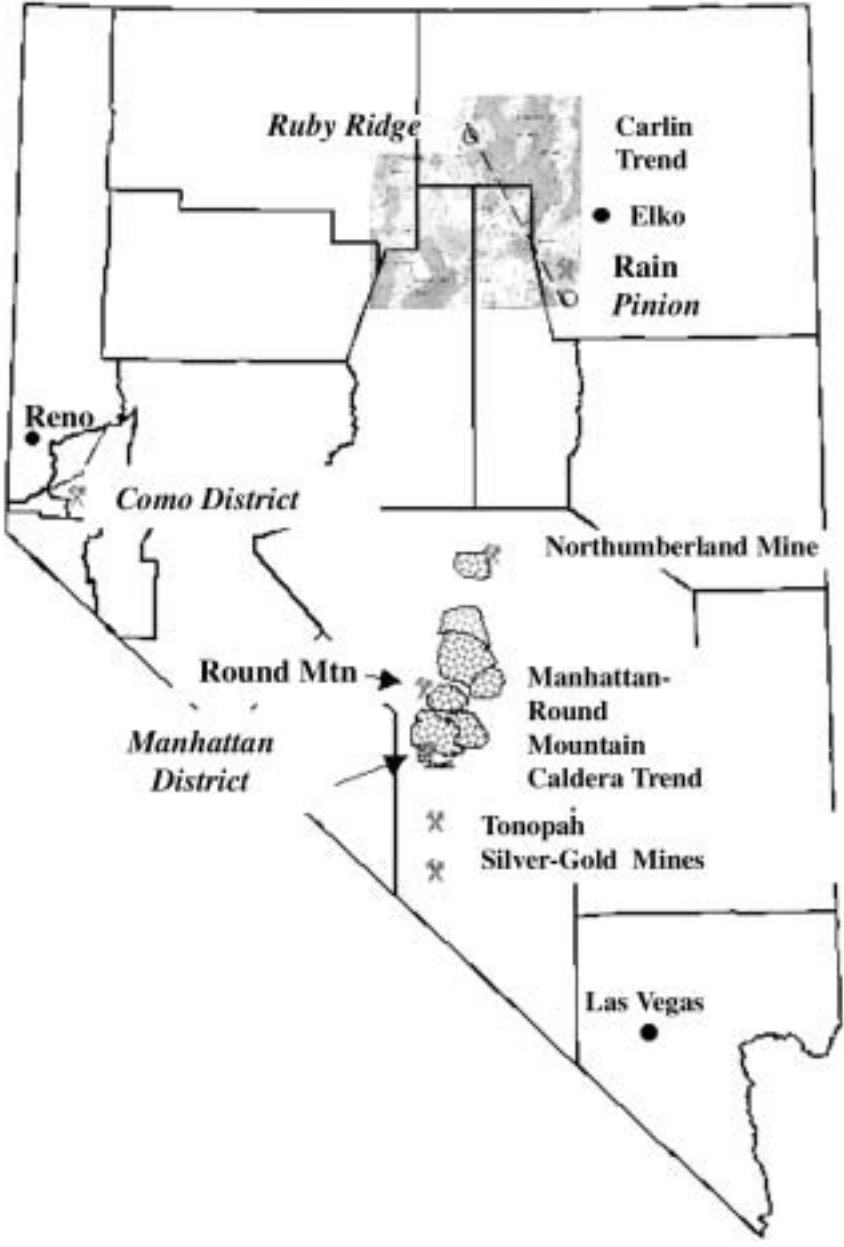
### Goals for 2002

---

- ▶ Complete a mining permit for the Company's Gold Wedge project located in the Manhattan Mining District
- ▶ Continue to advance the Gold Wedge project through deposit extension drilling
- ▶ Carry out a drilling program at the Ruby Ridge prospect on the Carlin Trend and test for a deep high-grade (Deep Star type) gold system
- ▶ Determine the feasibility of mining the near surface reserve at Pinon, improve on the land position and possibly drill test for deeper structural and stratigraphic targets on the property
- ▶ Evaluate the data base for the recently acquired Como District project and identify prospective environments that have the potential for rapid advancement to mine feasibility stage and possible development
- ▶ Identify at least two additional acquisitions in Nevada



Royal Standard Minerals  
Nevada Gold Projects



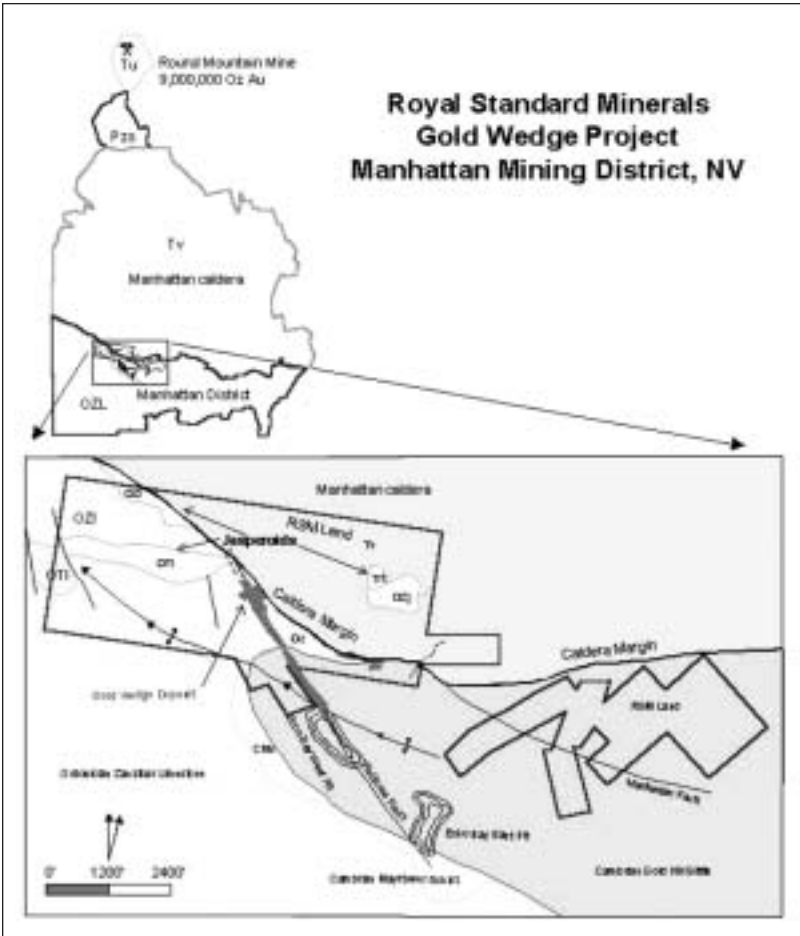
**Gravity Contour  
Map and Major  
Gold Deposits  
Defining the  
Carlin Trend**

**Central Nevada  
Caldera Trend  
Containing the  
Manhattan  
Project**



### GOLD WEDGE GOLD PROJECT DEVELOPMENT: Manhattan Mine District, Nye County, Nevada

The Manhattan/Round Mountain Caldera program is the Company's most advanced district play. The first mine development program is to be the 100% owned Gold Wedge deposit located within the Manhattan Mining District. The Gold Wedge deposit is located approximately 8 miles south of the large Round Mountain gold mine. Plans include permitting an underground mine in 2002 followed by the construction of a decline and bulk sampling program of the high-grade (0.5 opt) central zone to be completed in 2003. The project is expected to go into full production in the same year. The scale of the mining and milling operation will be decided based upon the results of the underground sampling and drilling program. This program will be completed in conjunction with a surface drilling program to test the size and quality of known ore grade extensions to the deposit.



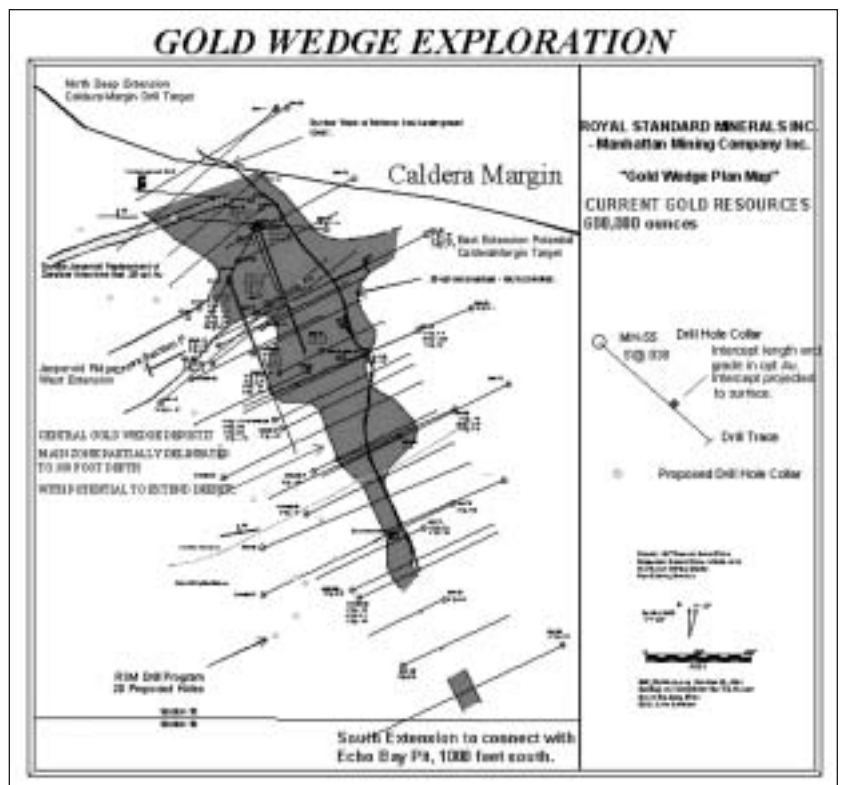
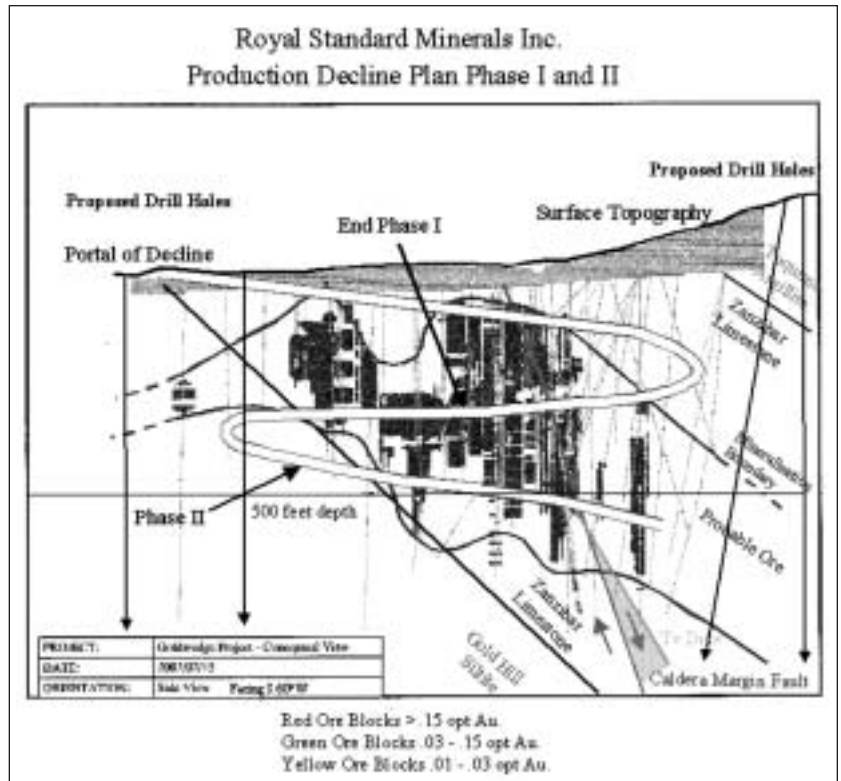
In addition to a surface-drilling program to further test the untested strike extensions of the deposit. RSM is also developing a shallow underground mine plan for the central portion of the deposit. The project that will involve a decline and underground development to fully explore and produce high grade gold ore from the deposit between 100' and 400' below the surface over a strike length of 800 feet. Drilling and geologic evidence indicates that the deposit has a strike length of at least 2,000 feet and is open along strike. Current drilling results, based on 57 drill holes indicates that high-grade gold (0.5 opt) occurs within a vertical extent of 80' to 700' below the surface. The deposit has not been tested below 700 feet vertical depth. The data acquired from this project will be employed to develop the deposit as an underground mine.



Some of the better surface drilling grades are indicated as follows:

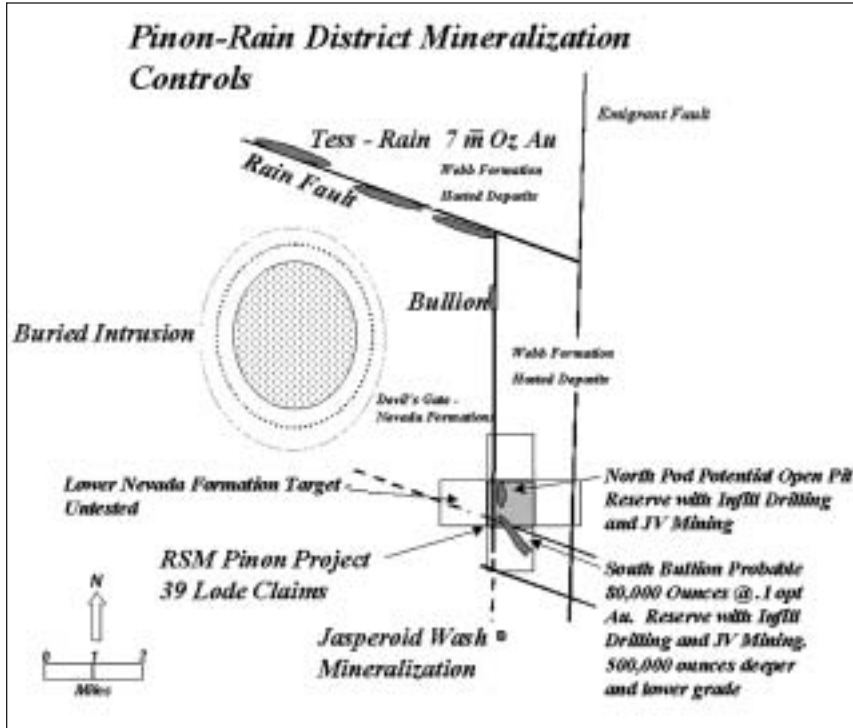
- Hole #MH72 20 ft. of 2.7 opt Au
- Hole #MH64 30 ft. of 1.89 opt Au
- Hole #MH16 20 ft. of 2.1 opt Au
- Hole #MH66 25 ft. of 1.30 opt Au
- Hole #MH95 10 ft. of 1.14 opt Au
- Hole #GW15 15 ft. of 0.914 opt Au

An engineering feasibility study and mine plan is currently underway on this deposit and will then be used for the environmental assessment (EA), which is the less costly and involved permitting process. Upon approval of the EA by the Nevada Department of Environmental Protection, construction of a decline or other access into the deposit can begin. Metallurgical reports indicate 70+ % of the gold is recoverable from a coarse crush, washing and table recovery of the finer 50% fraction. This should reduce the capital start-up cost and simplify the permitting process.





**PIÑON GOLD PROJECT:  
Southern Carlin Trend, Elko County, Nevada**



Royal Standard Minerals controls 39 unpatented lode mining claims covering a surface oxide gold resource of 120,000 ounces at 0.03 opt grade. The Company is 70% vested in the project. The project is located directly on the Carlin Trend deposit corridor of mineralization with the Rain Extension Deposit (4 million ounces at 0.45 opt grade) occurring 10 miles north of the Pinon Project. RSM's surface oxide deposit is the north part of an 800,000-ounce deeper resource.

The geology is very similar between Pinon and the Rain Extension Deposit. Both deposits occur in graben faulted areas with the Rain Deposit occurring in the fault bounded margin of the graben and Pinon occurring in the siltstone beds within the

graben. The Web Formation is mineralized above the Devils Gate Limestone at both deposits. At Rain, the mineralization has not been connected to a strongly mineralized fault. However, higher-grade economic mineralization has been encountered at very shallow depths. The following mineralized oxide zones occur along a 1,300-foot strike length and occur less than 90 feet deep.

CPR-078, 10' of .134 opt Au	TCT-017, 10' of .155 opt Au
CPR-079, 10' of .100 opt Au	TCT-023, 20' of .181 opt Au
CPR-064, 10' of .096 opt Au	TCT-014, 15' of .270 opt Au
CPR-111, 10' of .138 opt Au	CPR-099, 15' of .282 opt Au
TCT-018, 20' of .230 opt Au	

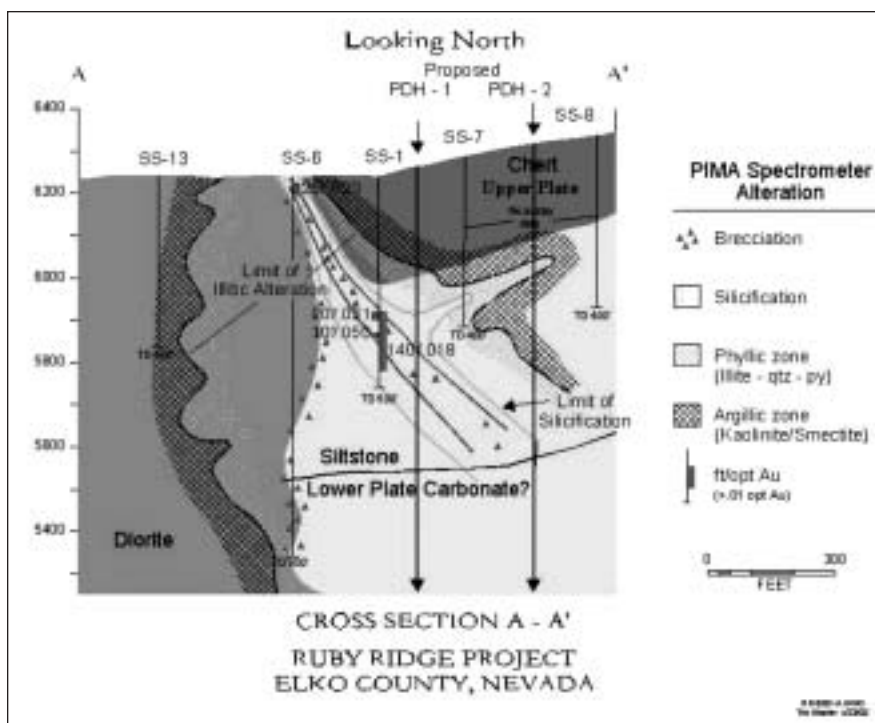
These holes are the target for delineating a shallow high-grade mineable deposit. A low-cost drilling program will likely delineate a small economic surface oxide deposit. There is potential for the discovery of a deep high-grade structurally and/or stratigraphically controlled gold deposit on this property.



## RUBY RIDGE GOLD PROJECT: Midas Area – North Carlin Trend, Elko County Nevada

Ruby Ridge Project, consisting of 29 claims, is located 8 miles northeast of Newmont's Midas Deposit and on the structural projection of the Carlin Trend. The claims cover a mineralized Paleozoic window, exposed through altered volcanic rocks. The Paleozoic window is mapped as Vinnini Chert which overlies siltstone and possibly the limestone section hosting the deposits in the Carlin Trend. The alteration size and geochemical signature indicate a large, high level Carlin System exists at the surface.

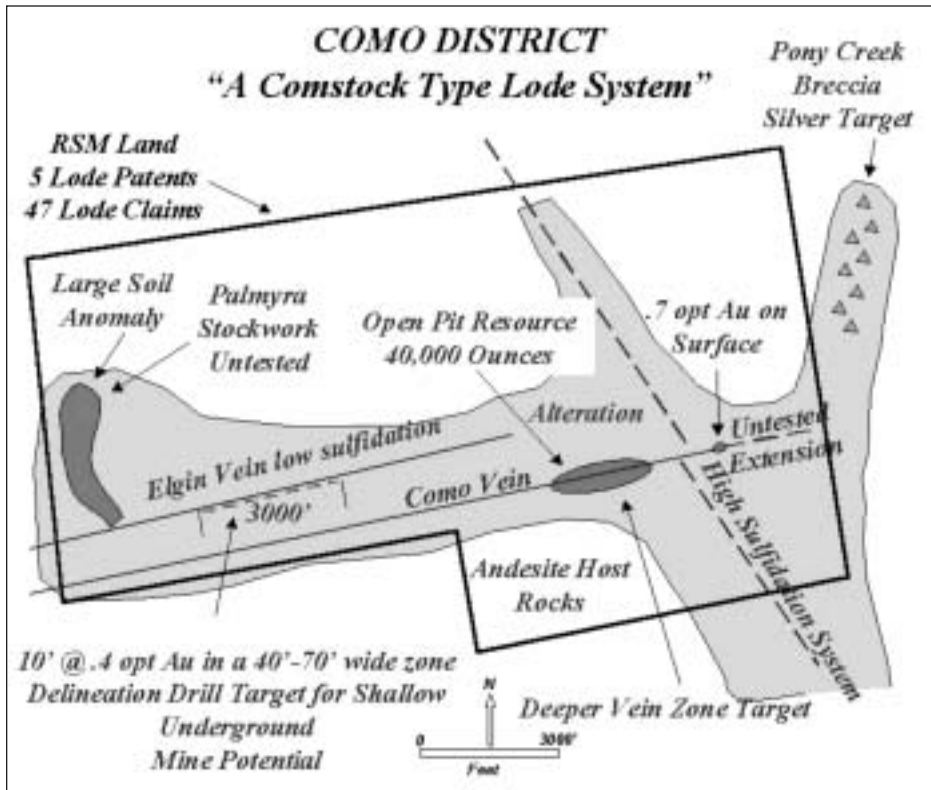
Western States Minerals Corp. drilled into mineralized siltstone under the Vinnini Chert. The fault zone in Vinnini Chert at the surface contains 20' of .024 opt gold. The fault zone at 275 feet depth contains 80' of .024 opt gold with .06 opt intervals in a total mineralized zone of 170 feet thick. A drilling program slated for 2002 will test the mineralized fault zone extension at the 500' depth level, for a gold deposit similar to the Deep Star Mine on the Carlin Trend. The Deep Star Mine Deposit contains 1 million tons of 1.0 opt gold. The association of a mineralized shear zone below Vinnini Chert, along the margin of a diorite intrusion at Ruby Ridge is similar to Deep Star.





## COMO DISTRICT: Comstock Lode-type Volcanic Hosted Gold/Silver Program – Lyon County, Nevada

The property is located approximately 8 miles southeast of the famous Comstock Lode (which has produced about 8.4 million ounces of gold and 193 million ounces of silver) includes 47 unpatented lode claims and 5 patented claims.



The Como district consists of at least eight gold-silver bearing structures that occur within an andesitic volcanic sequence that hosts the mineralization. It was discovered in 1860 by prospectors looking for mineralization similar to the Comstock Lode. The property has had some historical gold and silver underground production with the Como vein producing about 20,000 ounces of gold and 500,000 ounces of silver @ a gold equivalent grade of nearly 0.3 opt. The higher grade underground vein extensions are largely undrilled and will be tested by RSM. Over the past 20 years modern exploration methods have continued to advance the understanding of the geologic framework and has identified two bulk mineable gold-silver deposits that

will require further work to ascertain the economic potential. Since the 1960's several large companies have explored the property to include St. Joe American, Amoco, Meridian Gold and Amax Gold Inc. (who identified a low-grade open pit resource, based on 46 holes.) for a large tonnage bulk mineable gold deposit. More recently (2000) Anglo Gold Corp. explored the property for a potential multi-million ounce deposit. Anglo released the property in 2001 after drilling 8 holes and completing considerable surface geologic mapping, rock chip and geochemical sampling.

Several multi-ounce gold (grades of up to 4.86 opt) rock chip samples occur on the property that require follow-up work. Additionally, Anglo's drilling program discovered a "new" high grade (0.45 opt over 10' within a mineralized zone that is 40-70' in thickness) vein system on this property that requires additional exploration. Surface rock chip samples on this vein have returned values up to 0.417 opt gold.

RSM acquired its option on the Como gold-silver project based upon the previous exploration results. This district has potential for the discovery of more than one economic bulk mineable open pit and underground gold-silver deposit(s).



## Auditors' Report

To the Shareholders of Royal Standard Minerals Inc.

We have audited the consolidated balance sheets of Royal Standard Minerals Inc. as at January 31, 2002 and 2001 and the consolidated statements of exploration properties, operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance as to 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 January 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The consolidated statements of exploration properties, operations and deficit and cash flows for the year ended January 31, 2000 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated May 12, 2000.

Toronto, Canada

April 12, 2002, except as to Notes 7  
and 12 which are as of May 2, 2002

[signed] Grant Thornton LLP  
Chartered Accountants



**Royal Standard Minerals Inc.**  
**Consolidated Balance Sheets**  
(Expressed in United States Dollars)

January 31	2002	2001
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 554,925	\$ 201,728
Marketable securities (Note 3)	47,000	36,000
Receivables	18,043	14,234
	619,968	251,962
Exploration properties (Note 4)	113,078	49,380
	\$ 733,046	\$ 301,342
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 45,905	\$ 32,901
<b>Shareholders' Equity</b>		
Capital stock (Note 5)	5,667,723	6,970,084
Contributed surplus (Note 5)	1,425,413	—
Deficit	(6,405,995)	(6,701,643)
	687,141	268,441
	\$ 733,046	\$ 301,342

The Company and operations (Note 1)  
Subsequent events (Note 12)

On behalf of the Board

[signed] Roland Larsen  
Director

[signed] Mackenzie Watson  
Director

See accompanying notes to the consolidated financial statements



**Royal Standard Minerals Inc.**  
**Consolidated Statements of Exploration Properties**  
(Expressed in United States Dollars)

	Opening Balance	Additions	Written off	Closing Balance
<b>Year Ended January 31, 2000</b>				
Antone Canyon Project	\$ 345,742	\$ 93,001	\$ 438,743	\$ -
Bousquet and Chibex Properties	871,779	289	-	872,068
Jump River Project	190,974	16,250	207,224	-
Pinon Project	1,477,611	25,108	-	1,502,719
Victoria East Project	75,070	-	-	75,070
Other	-	500	-	500
	<u>\$2,961,176</u>	<u>\$135,148</u>	<u>\$ 645,967</u>	<u>\$2,450,357</u>

**Year Ended January 31, 2001**

Bend Project	\$ -	\$ 19,717	\$ 19,717	\$ -
Bousquet and Chibex Properties	872,068	-	872,068	-
Minnesota-Duluth Project	-	15,500	-	15,500
Pinon Project	1,502,719	27,188	1,529,907	-
Simba Project	-	33,880	-	33,880
Victoria East Project	75,070	-	75,070	-
Other	500	-	500	-
	<u>\$2,450,357</u>	<u>\$ 96,285</u>	<u>\$2,497,262</u>	<u>\$ 49,380</u>

**Year Ended January 31, 2002**

Gold Wedge Project	\$ -	\$ 14,821	\$ -	\$ 14,821
Manhattan Project	-	87,313	-	87,313
Minnesota-Duluth Project	15,500	9,530	25,030	-
Ruby Ridge Project	-	4,007	-	4,007
Simba Project	33,880	-	33,880	-
Other	-	6,937	-	6,937
	<u>\$ 49,380</u>	<u>\$122,608</u>	<u>\$ 58,910</u>	<u>\$ 113,078</u>

See accompanying notes to the consolidated financial statements.



**Royal Standard Minerals Inc.**  
**Consolidated Statements of Operations and Deficit**  
(Expressed in United States Dollars)

Years Ended January 31	2002	2001	2000
<b>Revenue</b>			
Interest	\$ 10,332	\$ 8,282	\$ -
<b>Expenses</b>			
General and administrative	59,830	70,696	65,580
General exploration	84,860	(13,538)	-
	144,690	57,158	65,580
<b>Loss before the following</b>	(134,358)	(48,876)	(65,580)
Recovery of advances to related company previously written off (Note 3)	479,340	-	82,817
Write off of exploration properties	(58,910)	(2,497,262)	(645,967)
Recovery of (write down of) marketable securities	11,000	(41,477)	(5,534)
Foreign exchange translation (loss) gain	(1,424)	(9,877)	4,710
<b>Net earnings (loss) before income taxes</b>	295,648	(2,597,492)	(629,554)
<b>Income taxes (Note 8)</b>	-	-	-
<b>Net earnings (loss)</b>	\$ 295,648	\$ (2,597,492)	\$ (629,554)
<b>Earnings (loss) per common share (Note 9)</b>			
Basic	\$0.02	\$(0.15)	\$(0.04)
Diluted	\$0.01	\$(0.15)	\$(0.04)
<b>Deficit at beginning of year</b>	\$ (6,701,643)	\$ (4,104,151)	\$ (3,474,597)
<b>Net earnings (loss)</b>	295,648	(2,597,492)	(629,554)
<b>Deficit at end of year</b>	\$ (6,405,995)	\$ (6,701,643)	\$ (4,104,151)

See accompanying notes to the consolidated financial statements.



**Royal Standard Minerals Inc.**  
**Consolidated Statements of Cash Flows**

(Expressed in United States Dollars)

Years Ended January 31	2002	2001	2000
<b>Increase (decrease) in cash and cash equivalents</b>			
<b>Operating activities</b>			
Net earnings (loss)	\$295,648	\$(2,597,492)	\$(629,554)
Operating items not involving cash			
Write off of exploration properties	58,910	2,497,262	645,967
Write down of (recovery of) marketable securities	(11,000)	41,477	5,534
	343,558	(58,753)	21,947
Decrease in receivables	(3,809)	(3,092)	(8,619)
Increase (decrease) in payables and accruals	13,004	(28,543)	19,283
	352,753	(90,388)	32,611
<b>Financing activity</b>			
Issue of common shares, net of issue costs	123,052	377,614	61,578
<b>Investing activities</b>			
Exploration properties	(122,608)	(96,285)	(135,148)
Marketable securities	–	–	(7,782)
Proceeds on disposal of marketable securities	–	–	21,244
	(122,608)	(96,285)	(121,686)
<b>Cash and cash equivalents</b>			
Net increase (decrease)	353,197	190,941	(27,497)
Beginning of year	201,728	10,787	38,284
End of year	\$554,925	\$ 201,728	\$ 10,787
Interest paid	\$ –	\$ –	\$ –
Income taxes paid	\$ –	\$ –	\$ –

See accompanying notes to the consolidated financial statements.



## 1. The Company and operations

Royal Standard Minerals Inc. (the "Company") is a publicly held company, engaged in the acquisition, exploration and development of resource properties. The Company is continued under the New Brunswick Business Corporations Act and its common shares are listed on the TSX Venture Exchange.

The Company, directly and through joint ventures, is in the process of exploring its exploration properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

## 2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its wholly-owned subsidiaries, Southeastern Resources Inc., Pinon Exploration Corporation, Standard Energy Inc. and Manhattan Mining Co., all United States companies.

A summary of the differences between accounting principles generally accepted in Canada ("Canadian GAAP") and those generally accepted in the United States ("US GAAP") which affect the Company is contained in Note 11.

### Use of estimates

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

### Joint ventures

The Company conducts substantially all of its exploration activities jointly with others. The consolidated financial statements reflect only the Company's interest in such activities.

### Cash and cash equivalents

Cash and cash equivalents includes amounts on deposits at Canadian and United States financial institutions.

### Exploration properties

All direct costs associated with exploration properties are capitalized as incurred. If a property proceeds to development, these costs become part of preproduction and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts capitalized at any time represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of particular properties.

### Stock-based compensation plans

The Company has one stock option plan, which is described in Note 6. No compensation expense is recognized when options are granted. The consideration paid on exercise of options is credited to capital stock.

### Income taxes

Future income tax assets are recognized on temporary timing differences between reported and taxable income and on losses incurred more likely than not to be carried forward to reduce future taxable income. Future income tax liabilities are recognized on temporary timing differences between reported and taxable income which will increase future taxable income.

### Earnings (loss) per common share

Basic earnings (loss) per common share is calculated based on the weighted average number of common shares outstanding for the period. Diluted earnings per common share considers the potential exercise of outstanding options and warrants using the treasury-based method.

### Foreign currency translation

The Company uses the United States Dollar as its reporting currency, as the majority of its transactions are denominated in this currency and the operations of its subsidiaries are considered to be of an integrated nature.

Monetary assets and liabilities of the parent company denominated in Canadian funds are translated into United States funds at period end rates of exchange. Other assets and liabilities and capital stock of the parent company are translated at historical rates. Revenues and expenses of the parent company are translated at the average exchange rate for the period. Gains and losses on foreign exchange are recorded in operations.

## 3. Sharpe Resources Corporation

### Marketable securities

Marketable securities consists of common shares of Sharpe Resources Corporation ("Sharpe Resources"), a publicly held Canadian company. Sharpe Resources is considered to be related to the Company because of common management.

The shares are carried at the lower of cost and quoted market values.

### Advances

At January 31, 2001, advances to Sharpe Resources amounted to \$476,594. The advances, which were unsecured and bore interest at prime plus 2% per annum, were fully written off in fiscal 1999, having been written down in previous years. In fiscal 2000, the Company recovered \$82,817 of amounts previously written off which recovery was recorded in operations for that year.

In fiscal 2002, the Company recovered \$479,340 from Sharpe Resources representing the outstanding balance plus accrued interest which recovery was recorded in operations for that year.



#### 4. Exploration properties

##### Nevada Projects

In fiscal 2002, the Company entered into certain option agreements to purchase 100% interests in 118 patented and unpatented lode mining claims within the Manhattan Mining District in Nye County and Elko County, Nevada. Details of the option agreements are as follows:

Project	Required Cash Payments to Optionors	Royalty	Exercise of Option
Gold Wedge Nye County	\$5,000 each in first two years; \$10,000 in third year, \$15,000 in fourth year and \$20,000 in fifth and sixth years.	3% NSR	July 2006 – \$200,000
Manhattan Project, Nye County	\$1,000 per month from August 2001 to August 2002; \$2,000 per month from September 2002 to July, 2006.	5% NSR	August 2006 – \$500,000
Ruby Ridge Elko County	\$34,000 from August 2001 to August, 2005.	2.5% NSR	August 2006 – \$400,000

##### Bunkerville Project

In fiscal 2001, the Company staked 80 claims in the Bunkerville District, Clark County, Nevada, and completed a joint venture option agreement with Falconbridge Exploration US, Inc. (“Falconbridge”) under which Falconbridge contributed the results of an airborne electromagnetic and magnetic survey encompassing a 60 square mile area within the Bunkerville District. Falconbridge had an option to earn a 49% interest in the Company’s program after the Company had spent \$500,000 on drilling within the survey block.

In fiscal 2001, the Company entered into a second option agreement with Freewest Resources Canada Inc. (“Freewest”) whereby Freewest had a two-year option to earn a 50% interest in the Company’s interest for annual cash payments of \$25,000 and annual work commitments of \$75,000. Freewest completed the first year commitment but elected not to pursue the program and declined any further interest in the project.

All of the Company’s expenditures on this project were recovered from Freewest in fiscal 2001. The Company does not intend to pursue any further exploration on this project.

##### Minnesota-Duluth Project

In fiscal 2001, the Company acquired an option to acquire a 100% interest in certain leases in St. Louis County, Minnesota. The agreement includes a two year exploration option with annual payments of \$12,500 and \$10,000 and a further payment of \$30,000 on assignment of the leases plus overriding sliding scale royalties which range from 1% to 4% (subject to a buyout). Advance minimum royalty payments start at \$20,000 per year and increase to \$50,000 per year if the option is exercised.

All costs related to this project were written off in fiscal 2002.

##### Simba Project

In fiscal 2001, the Company entered into an option and lease agreement with the Simba Group, Inc. (“Simba”) to explore for and develop coal bed methane gas in coal seams underlying Simba’s property in Barbour, Harrison, Marion and Taylor counties, West Virginia. The option fee of \$20,000 also included certain drilling commitments. This option can be extended for an additional 6 months for an additional \$10,000 and further drilling commitments. The option can be exercised at any time and converted to a 5-year lease agreement for \$5.00 per acre per year. A minimum of 20,000 acres must be held under the terms of the lease agreement. The lease agreement also includes a commitment to carry out a production drilling program on the property during the lease period.

All costs related to this project were written off in fiscal 2002.

##### Other properties

All costs related to the Bend Project (north central Wisconsin), the Bousquet and Chibex Properties (Bousequet and Cadillac Townships, Ontario), the Pinon Project (Elko County, Nevada) and the Victoria East Project, (Elko County, Nevada) were written off in fiscal 2001.

All costs related to the Antone Canyon Project (Nye County, Nevada) and the Jump River Project (Taylor, Lincoln and Rusk Counties, Wisconsin) were written off in fiscal 2000.

#### 5. Capital stock

##### Authorized

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Common shares issued	Shares	Amount
Outstanding at January 31, 1999	19,121,298	\$6,530,892
Shares issued for cash, less share issue costs of \$4,092	951,494	61,578
Outstanding at January 31, 2000	20,072,792	6,592,470
Shares issued for cash, less share issue costs of \$54,246	3,043,667	377,614
Outstanding at January 31, 2001	23,116,459	6,970,084
Shares issued for cash on exercise of warrants (Note 7)	951,494	123,052
Shares cancelled in November 2001	(4,836,615)	(1,425,413)
Outstanding at January 31, 2002	19,231,338	\$5,667,723

In November 2001, 4,836,615 escrowed common shares of the Company owned by Sharpe Resources were cancelled under the terms of a 1996 escrow agreement. Upon the cancellation, \$1,425,413 was transferred from common stock to contributed surplus.



### 6. Common share options

Under the Company's stock option plan (the "Option Plan"), the directors of the Company can grant options to acquire common shares of the Company to directors, employees and others who provide ongoing services to the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed ten years.

The number of common shares under option at any time under the Option Plan or otherwise cannot exceed 4,000,000 nor more than 5% of the then outstanding common shares of the Company for any optionee. In addition, options granted to insiders of the Company cannot exceed more than 10% of the then outstanding common shares of the Company.

	Number of Common Shares		Weighted Average Exercise Price	
	2002	2001	2002	2001
Outstanding at beginning of year	2,385,000	1,790,000	\$0.17	\$0.15
Granted during year	1,410,000	595,000	\$0.17	\$0.23
Exercised during year	-	-	\$ -	\$ -
Cancelled or expired during year	(1,410,000)	-	\$0.15	\$ -
Outstanding at end of year	<u>2,385,000</u>	<u>2,385,000</u>	<u>\$0.18</u>	<u>\$0.17</u>

Exercise prices are in Canadian dollars.

At January 31, 2002, options to acquire 380,000 common shares of the Company at a price of Canadian \$0.15 per share until November 2002, options to acquire 595,000 common shares of the Company at a price of Canadian \$0.23 per share until May 2005 and options to acquire 1,410,000 common shares of the Company at a price of Canadian \$0.17 per share until May 2006 were outstanding.

### 7. Common share warrants

At January 31, 2001, warrants to acquire 951,494 common shares of the Company at a price of Canadian \$0.20 per share until February 2001 and warrants to acquire 2,903,667 common shares of the Company at a price of Canadian \$0.28 until April 2002, were outstanding. The latter warrants were issued in connection with a private placement in fiscal 2001.

In February 2001, the Company received approval from securities regulatory authorities to extend the exercise date of the warrants that were to expire in February 2001 and all of these warrants were exercised for cash of Canadian \$190,299 in March 2001.

At January 31, 2002, warrants to acquire 2,903,667 common shares of the Company at a price of Canadian \$0.28 until April 25, 2002, were outstanding. These warrants have since expired.

### 8. Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rate to the amounts recognized in the consolidated statements of operations.

	2002	2001	2000
Net earnings (loss) before income taxes reflected in consolidated statements of operations	\$295,648	\$(2,597,492)	\$(629,554)
Expected income tax expense (recovery)	\$124,000	\$(1,159,000)	\$(281,000)
Recovery of advances to related company previously written off	(201,000)	-	(37,000)
Deductible share issue costs	(46,000)	(49,000)	(44,000)
Statutory rate difference - Canada/U.S.	-	(5,000)	3,000
Income tax recovery not recognized	123,000	1,213,000	359,000
Income tax expense (recovery) recognized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table reflects future income tax assets at January 31, 2002 and 2001.

	2002	2001
Unclaimed non-capital losses	\$1,101,000	\$1,056,000
Excess of unclaimed resource pools over carrying value of exploration properties	1,580,000	1,598,000
Unclaimed share issue costs	15,000	64,000
	<u>2,696,000</u>	<u>2,718,000</u>
Less valuation allowance	2,696,000	2,718,000
Future income tax assets recognized	<u>\$ -</u>	<u>\$ -</u>

At January 31, 2002, the Company had unclaimed Canadian and foreign resource pools of \$1,640,000, unclaimed share issue costs of \$35,000 and unclaimed non-capital losses carried forward of \$1,270,000. Of the non-capital losses, \$202,000 expire in fiscal 2004 and \$306,000 expire in fiscal 2005.

At January 31, 2002, the Company's United States subsidiaries had unclaimed resource pools of \$2,340,000 and unclaimed non-capital losses carried forward of \$1,410,000. None of these losses expire in the next three years.

**ROYAL STANDARD MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
(EXPRESSED IN UNITED STATES DOLLARS)  
YEARS ENDED JANUARY 31, 2002, 2001 AND 2000



**9. Per share amounts**

The weighted average number of common shares outstanding in 2002, 2001 and 2000 used in computing basic earnings (loss) per share were 19,140,099, 17,295,565 and 14,641,493, respectively. The above averages exclude (2001 and 2000 on a retroactive basis) escrowed shares that were cancelled in November 2001 as described in Note 5 and the reported losses per share for 2001 and 2000, previously reported as \$0.12 and \$0.03 respectively, have been restated.

Diluted earnings per common share for 2002 reflects the dilutive effect of the potential exercise of common share options and warrants outstanding at January 31, 2002. The number of shares used in this calculation was 23,287,662 which excluded the potential exercise of common share options and warrants because of their anti-dilutive effect. The effect of common share options and warrants on the net loss for 2001 and 2000 has not been considered as to do so would be anti-dilutive.

**10. Financial instruments**

At January 31, 2002, the Company's financial instruments consisted of cash and cash equivalents, common shares of Sharpe Resources, receivables and payables. The Company estimates that the fair value of its financial instruments approximates the carrying values.

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**11. Differences between Canadian GAAP and US GAAP**

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP. These principles, as they pertain to the Company's consolidated financial statements differ from US GAAP as follows:

As indicated in Note 1, the Company is in the process of exploring its exploration properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. Accordingly, under US GAAP, the Company would be characterized as a "development stage enterprise".

Under US GAAP, development stage enterprises are required to provide cumulative from inception information relating to changes in capital stock, which information is presented hereunder in relation to the Company's common stock. Inception has been deemed to be June 26, 1996, the date on which the Company acquired all of the outstanding common shares of Southeastern Resources Inc. ("SRI") which acquisition was accounted for as a reverse takeover of the Company by SRI because immediately after the acquisition, the former shareholders of SRI owned approximately 94% of the then outstanding shares of the Company.

	Shares	Amount Under Canadian GAAP	Amount Under US GAAP
Issued to former shareholders of SRI	8,154,614	\$2,045,717	\$1,318,566
Held by other shareholders	488,041	467,467	467,467
Outstanding at June 26, 1996	8,642,655	2,513,184	1,786,033
Issued for exploration properties	1,400,000	667,204	667,204
Issued for services	200,000	126,465	126,465
Issued on cash on exercise of warrants	580,577	361,823	361,823
Issued for cash	500,000	329,936	329,936
Outstanding at January 31, 1997	11,323,232	3,998,612	3,271,461
Issued for exploration properties	200,000	134,250	134,250
Flow-through shares issued for cash	300,000	216,763	216,763
Issued for cash, less issue costs of \$481,480	7,228,066	2,129,061	2,129,061
Issued for services	70,000	58,125	58,125
Outstanding at January 31, 1998	19,121,298	6,536,811	5,809,660
Share issue costs	-	(5,919)	(5,919)
Outstanding at January 31, 1999	19,121,298	6,530,892	5,803,741
Issued for cash, less issue costs of \$4,092	951,494	61,578	61,578
Outstanding at January 31, 2000	20,072,792	6,592,470	5,865,319
Issued for cash, less issue costs of \$54,246	3,043,667	377,614	377,614
Outstanding at January 31, 2001	23,116,459	6,970,084	6,242,933
Issued for cash on exercise of warrants	951,494	123,052	123,052
Cancellation of shares held in escrow	(4,836,615)	(1,425,413)	(1,279,287)
Outstanding at January 31, 2002	19,231,338	\$5,667,723	\$5,086,698



**ROYAL STANDARD MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
 (EXPRESSED IN UNITED STATES DOLLARS)  
 YEARS ENDED JANUARY 31, 2002, 2001 AND 2000

**11. Differences between Canadian GAAP and US GAAP (continued)**

For Canadian GAAP purposes, the Company accounts for its stock compensation plan as described in Note 2 under which no compensation expense was recognized for the years ended January 31, 2002, 2001 and 2000. For US GAAP purposes, the Company accounts for its stock based compensation plan under APB Opinion No. 25 and related interpretations under which no compensation was recognized for the years ended January 31, 2002, 2001 and 2000.

The Company accounts for foreign currency translation as indicated in Note 2 and its marketable securities as indicated in Note 3 under which gains or losses therefrom are included in the statements of operations. Under US GAAP, gains or losses from these sources would be included in other comprehensive income, a separate component of shareholders' equity.

Under Canadian GAAP, the Company accounts for its exploration properties as described in Note 2, while under US GAAP, such costs cannot be capitalized and are expensed as incurred.

Had the Company's consolidated balance sheets as at January 31, 2002 and 2001 been prepared using US GAAP, such balance sheets would be presented as follows:

	2002	2001
<b>Assets</b>		
Current		
Cash and cash equivalents	\$554,925	\$201,728
Marketable securities	47,000	36,000
Receivables	18,043	14,234
	<u>\$619,968</u>	<u>\$251,962</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 45,905	\$ 32,901
<b>Shareholders' Equity</b>		
Capital stock	5,086,698	6,242,933
Contributed surplus	1,279,287	-
Deficit accumulated during development stage	(5,791,922)	(6,023,872)
	<u>574,063</u>	<u>219,061</u>
	<u>\$619,968</u>	<u>\$251,962</u>

Had the Company's consolidated statements of operations and deficit been prepared using US GAAP, such statements would have included cumulative from inception amounts in addition to amounts for the years ended January 31, 2002, 2001 and 2000.

Such statements under Canadian GAAP are as follows:

	Cumulative from Inception	2002	2001	2000
<b>Revenue</b>				
Interest	\$ 18,614	\$ 10,332	\$ 8,282	\$ -
<b>Expenses</b>				
General and administrative	1,177,154	59,830	70,696	65,580
General exploration	124,299	84,860	(13,538)	-
	<u>1,301,453</u>	<u>144,690</u>	<u>57,158</u>	<u>65,580</u>
<b>Loss before the following</b>	(1,282,839)	(134,358)	(48,876)	(65,580)
Recovery of (write downs of) advances to related company	(75,506)	479,340	-	82,817
Write off of exploration properties	(3,359,243)	(58,910)	(2,497,262)	(645,967)
Loss on disposal of exploration properties	(474,187)	-	-	-
Recovery of (write down of) marketable securities	(368,105)	11,000	(41,477)	(5,534)
Gain on disposal of marketable securities	47,988	-	-	-
Foreign exchange translation gain (loss)	(153,363)	(1,424)	(9,877)	4,710
<b>Net earnings (loss) before income taxes</b>	(5,665,255)	295,648	(2,597,492)	(629,554)
<b>Income taxes</b>	-	-	-	-
<b>Net earnings (loss)</b>	<u>\$(5,665,255)</u>	<u>\$295,648</u>	<u>\$(2,597,492)</u>	<u>\$(629,554)</u>
<b>Earnings (loss) per common share</b>				
Basic		<u>\$0.02</u>	<u>\$(0.15)</u>	<u>\$(0.04)</u>
Diluted		<u>\$0.01</u>	<u>\$(0.15)</u>	<u>\$(0.04)</u>

**ROYAL STANDARD MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
(EXPRESSED IN UNITED STATES DOLLARS)  
YEARS ENDED JANUARY 31, 2002, 2001 AND 2000



**11. Differences between Canadian GAAP and US GAAP (continued)**

**Deficit at beginning of period** \$ - \$ (6,701,643) \$ (4,104,151) \$ (3,474,597)

1997 related party transaction adjustment on issue of common shares for common shares of SRI (740,740) - - -

Net earnings (loss) (5,665,255) 295,648 (2,597,492) (629,554)

**Deficit at end of period** \$ (6,405,995) \$ (6,405,995) \$ (6,701,643) \$ (4,104,151)

Changes required to conform to US GAAP are as follows:

	Cumulative from Inception	2002	2001	2000
--	---------------------------	------	------	------

**Net earnings (loss) under Canadian GAAP** \$ (5,665,255) \$ 295,648 \$ (2,597,492) \$ (629,554)

Adjustment for exploration properties (113,078) (63,698) 2,400,977 510,819

**Net earnings (loss) under US GAAP** \$ (5,778,333) \$ 231,950 \$ (196,515) \$ (118,733)

**Earnings (loss) per common share under US GAAP**

Basic	\$0.01	\$ (0.01)	\$ (0.01)
Diluted	\$0.01	\$ (0.01)	\$ (0.01)

**Deficit at beginning of period under US GAAP** \$ - \$ (6,023,872) \$ (5,827,357) \$ (5,708,624)

Charge related to issue of common shares for common shares of SRI under US GAAP (13,589) - - -

Net earnings (loss) under US GAAP (5,778,333) 231,950 (196,515) (118,733)

**Deficit at end of period under US GAAP** \$ (5,791,922) \$ (5,791,922) \$ (6,023,872) \$ (5,827,357)

Had the Company's consolidated statements of cash flows been prepared using US GAAP, such statements would have included cumulative from inception amounts in addition to amounts for the years ended January 31, 2002, 2001 and 2000.

Such statements under Canadian GAAP are as follows:

	Cumulative from Inception	2002	2001	2000
--	---------------------------	------	------	------

**Increase (decrease) in cash and cash equivalents**

**Operating activities**

Net earnings (loss) \$ (5,665,255) \$ 295,648 \$ (2,597,492) \$ (629,554)

**Operating items not involving cash**

Expenses settled by the issue of common shares 184,590 - - -

Write off of exploration properties 3,359,243 58,910 2,497,262 645,967

Loss on disposal of exploration properties 474,187 - - -

Write down of (recovery of) marketable securities 368,105 (11,000) 41,477 5,534

Gain on disposal of marketable securities (47,988) - - -

Write down of advances to related company 554,846 - - -  
(772,272) 343,558 (58,753) 21,947

Decrease in receivables (18,043) (3,809) (3,092) (8,619)

Increase in advances to related company (554,846) - - -

Increase (decrease) in payables and accruals 45,905 13,004 (28,543) 19,283  
(1,299,256) 352,753 (90,388) 32,611

**Financing activity**

Issue of common shares, net of issue costs 4,060,988 123,052 377,614 61,578



**ROYAL STANDARD MINERALS INC.**  
**Notes to the Consolidated Financial Statements**  
(EXPRESSED IN UNITED STATES DOLLARS)  
YEARS ENDED JANUARY 31, 2002, 2001 AND 2000

**11. Differences between Canadian GAAP and US GAAP (continued)**

**Investing activities**

Exploration properties	(1,851,442)	(122,608)	(96,285)	(135,148)
Marketable securities	(1,057,976)	-	-	(7,782)
Proceeds on disposal of exploration properties	11,747	-	-	-
Proceeds on disposal of marketable securities	690,864	-	-	21,244
	<u>(2,206,807)</u>	<u>(122,608)</u>	<u>(96,285)</u>	<u>(121,686)</u>

**Cash and cash equivalents**

Net increase (decrease)	554,925	353,197	190,941	(27,497)
Beginning of period	-	201,728	10,787	38,284
End of period	<u>\$554,925</u>	<u>\$554,925</u>	<u>\$201,728</u>	<u>\$10,787</u>

Such statements under US GAAP are as follows:

Cumulative from Inception	<u>2002</u>	<u>2001</u>	<u>2000</u>
---------------------------------	-------------	-------------	-------------

**Increase (decrease) in cash and cash equivalents**

**Operating activities**

Net earnings (loss)	\$ (5,778,333)	\$231,950	\$ (196,515)	\$ (118,733)
Operating items not involving cash				
Expenses settled by the issue of common shares	184,610	-	-	-
Exploration expenditures settled by the issue of common shares	2,106,793	-	-	-
Write down of (recovery of) marketable securities	368,105	(11,000)	41,477	5,532
Gain on disposal of marketable securities	(47,988)	-	-	-
Write down of advances to related company	554,846	-	-	-
	<u>(2,611,967)</u>	<u>220,950</u>	<u>(155,038)</u>	<u>(113,201)</u>

Decrease (increase) in receivables	(18,043)	(3,809)	(3,092)	(8,619)
Increase in advances to related company	(554,846)	-	-	-
Increase (decrease) in payables and accruals	45,905	13,004	(28,543)	19,283
	<u>(3,138,951)</u>	<u>230,145</u>	<u>(186,673)</u>	<u>(102,537)</u>

**Financing activity**

Issue of common shares, net of issue costs	4,060,988	123,052	377,614	61,578
--	-----------	---------	---------	--------

**Investing activities**

Marketable securities	(1,057,976)	-	-	(7,782)
Proceeds on disposal of marketable securities	690,864	-	-	21,244
	<u>(367,112)</u>	<u>-</u>	<u>-</u>	<u>13,462</u>

**Cash and cash equivalents**

Net increase (decrease)	554,925	353,197	190,941	(27,497)
Beginning of period	-	201,728	10,787	38,284
End of period	<u>\$554,925</u>	<u>\$554,925</u>	<u>\$201,728</u>	<u>\$10,787</u>

**12. Subsequent events**

- (a) In April 2002, the Company entered into an option to purchase agreement for the Como gold-silver project located in Lyon County, Nevada. The terms of the transaction include payments of \$25,000 in years one and two (paid up for four years) commencing May 2002 for a seven year option and a 4% net smelter royalty. The Company can acquire the property and the royalty for \$1 million or a production payout capped at \$2 million.
- (b) On May 2, 2002, the Company completed a private placement of 7 million shares of the Company at Canadian \$0.15 per share for proceeds of Canadian \$1,050,000 (approximately US \$650,000).



## Officers & Directors

**Roland M. Larsen**  
President & Director  
Heathsville, Virginia

**Mackenzie I. Watson**  
Director  
Montreal, Quebec

**James C. Dunlop**  
Director  
Toronto, Ontario

**Kimberly L. Koerner**  
Director  
Jersey City, New Jersey

## Offices

Executive Office  
1311 N. McCarran Blvd.  
Suite 105  
Sparks, Nevada 89431  
Tel: 775-331-3860  
Fax: 775-331-3864

## Auditors

Grant Thornton, L.L.P.  
Royal Bank Plaza  
19th Floor, South Tower  
200 Bay Street, Box 55  
Toronto, Ontario  
M5J 2P9

## Bankers

Royal Bank of Canada  
20 King Street West  
Toronto, Ontario  
M5H 1C4

## Legal Counsel

Carbonaro, Klingerman, Sugar  
390 Bay Street, Suite 1600  
Toronto, Ontario  
M5H 2Y2

## Share Listing

Canada CDNX: RSM  
U.S. OTC BB: RYSMF  
  
Listed Standard & Poors

Visit our Web site at  
[www.royal-standard.com](http://www.royal-standard.com)



1311 N. McCarran Blvd., Suite 105, Sparks, Nevada 89431  
Telephone: 775-331-3860 Fax: 775-331-3864

Visit our Web site at [www.royal-standard.com](http://www.royal-standard.com)