

EXELIXIS INC
Form 3
January 23, 2007

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *			2. Date of Event Requiring Statement (Month/Day/Year)	3. Issuer Name and Ticker or Trading Symbol	
A Lamb Peter			01/19/2007	EXELIXIS INC [EXEL]	
(Last)	(First)	(Middle)		4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
PO BOX 511, 170 HARBOR WAY				(Check all applicable)	
(Street)				<input type="checkbox"/> Director	<input type="checkbox"/> 10% Owner
SOUTH SAN FRANCISCO, CA 94083-0511				<input checked="" type="checkbox"/> Officer	<input type="checkbox"/> Other
(City)	(State)	(Zip)		(give title below) (specify below)	
				SVP, Discovery Research & CSO	
				6. Individual or Joint/Group Filing(Check Applicable Line)	
				<input checked="" type="checkbox"/> Form filed by One Reporting Person	
				<input type="checkbox"/> Form filed by More than One Reporting Person	

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	2,680 ⁽¹⁾	I	By 401(k) plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of	

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				Shares		(I) (Instr. 5)	
Stock Option (right to buy)	10/15/2000 ⁽²⁾	10/14/2010	Common Stock	47,250	\$ 20.13	D	Â
Stock Option (right to buy)	01/15/2001 ⁽²⁾	01/14/2011	Common Stock	1,750	\$ 9	D	Â
Stock Option (right to buy)	04/30/2001 ⁽²⁾	04/29/2011	Common Stock	23,625	\$ 16	D	Â
Stock Option (right to buy)	01/01/2002 ⁽²⁾	12/31/2011	Common Stock	10,000	\$ 16.62	D	Â
Stock Option (right to buy)	12/20/2002 ⁽²⁾	12/19/2012	Common Stock	10,000	\$ 7.85	D	Â
Stock Option (right to buy)	04/15/2003 ⁽²⁾	04/14/2013	Common Stock	25,000	\$ 7.47	D	Â
Stock Option (right to buy)	12/10/2003 ⁽²⁾	12/09/2013	Common Stock	40,000	\$ 6.15	D	Â
Stock Option (right to buy)	12/13/2005 ⁽²⁾	12/12/2014	Common Stock	35,000	\$ 8.92	D	Â
Stock Option (right to buy)	01/02/2007 ⁽²⁾	01/01/2016	Common Stock	120,000	\$ 9.42	D	Â
Stock Option (right to buy)	01/02/2008 ⁽²⁾	01/01/2017	Common Stock	80,000	\$ 9	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Lamb Peter PO BOX 511 170 HARBOR WAY SOUTH SAN FRANCISCO, CA 94083-0511	Â	Â	Â SVP, Discovery Research & CSO	Â

Signatures

Peter Lamb 01/23/2007
 **Signature of Date
 Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 5(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The securities represent shares in the Exelixis stock fund based on a plan statement dated as of January 19, 2007.
- (2) Options granted pursuant to Issuer's 2000 Equity Incentive Plan. Twenty five percent (25%) of the shares vest one year from the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, See Instruction 6 for procedure.

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investing activities: Increase in notes receivable (4,280) -- (3,766) -- (255,274) Reduction in notes receivable -- -- -- 237,652 Investment -- -- (89,500) -- (89,500) Equipment -- 1,695 -- (321,567) Equipment assembly costs -- -- -- (1,999,801) Organization cost -- -- -- 6,700 Reduction in security deposit -- -- -- (1,542)

----- Net cash used in investing activities (4,280) 1,695 (93,266) -- (2,423,332) -----

Cash flow from financing activities: Loans from related parties -- -- -- 3,150,412 Deferred financing costs 26,968 -- 53,936 -- 133,879 Proceeds from deposits -- -- -- 143,500 Payments on notes payable -- -- -- (409,939) Proceeds from convertible notes -- -- -- 754,999 Proceeds from notes payable -- -- -- 409,939 Payments on lease obligations -- (7,137) -- (14,539) (95,860) Proceeds from issuance of convertible subordinated debentures -- -- -- 1,035,000 Proceeds from loan payable -- -- -- 591,619 Payments on loan payable (256,940) -- (256,940) -- (350,473) Proceeds from issuance of stock options -- -- -- 20,000 Proceeds from grants 236,988 395,683 569,111 395,683 3,348,641 Proceeds from issuance of common stock -- -- -- 75,449 Proceeds from additional paid-in capital -- -- -- 2,052,661 -----

----- Net cash provided by financing activities 7,016 388,546 366,107 381,144 10,859,827 -----

----- Net (decrease) increase in cash and cash equivalents 3,325 (1,708) (873) 8,662 226

Cash and cash equivalents - beginning of period (2,842) 13,163 1,356 2,793 257 -----

----- Cash and cash equivalents - end of period \$ 483 \$ 11,455 \$ 483 \$ 11,455 \$ 483

===== 5 Supplemental Disclosure of Non-Cash Activities: During the six month period ended December 31, 2001 and the year ended June 30, 2001, the Company recorded an increase in common stock and in additional paid-in capital of \$231,001 and \$1,559,101, respectively, which was in recognition of the payment of debt. During the six month period ended December 31, 2001 and the year ended June 30, 2001, stock was issued in exchange for services performed and expenses in the amount of \$367,273 and \$872,215, respectively. During the year ended June 30, 2001, stock options were issued in exchange for services totalling \$512,377. No stock options were issued for services performed and expenses during the six month period ended December 31, 2001. Convertible debentures were exchanged into common stock totaling \$20,000 during the year ended June 30, 2001. Accrued interest of \$4,200 was also converted into common stock during the year ended June 30, 2001. For the six month period ended December 31, 2001, there were no convertible debentures or accrued interest converted into common stock. Supplemental Disclosure of Cash Flow Information: Interest paid \$ 7,219 \$ 4,893 \$ 33,313 \$ 12,349 \$185,581 =====

Income taxes paid \$ -- \$ -- \$ -- \$ -- \$ -- ===== 6

THE TIREX CORPORATION A DEVELOPMENT STAGE COMPANY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001 (Unaudited) ----- Note 1 - SUMMARY OF ACCOUNTING POLICIES CHANGE OF NAME On July 11, 1997, the Company changed its name from Tirex America, Inc. to The Tirex Corporation. NATURE OF BUSINESS The Tirex Corporation and Subsidiaries (the "Company") was incorporated under the laws of the State of Delaware on August 19, 1987. The Company was originally organized to provide comprehensive health care services, but due to its inability to raise sufficient capital, was unable to implement its business plan. The Company became inactive in November 1990. REORGANIZATION On March 26, 1993, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Louis V. Muro, currently a director of the Company, and former Officers and Directors of the Company (collectively the "Seller"), for the purchase of certain technology owned and developed by the Sellers (the "Technology") to be used to design, develop and construct a prototype machine and thereafter a production quality machine for the cryogenic disintegration of used tires. The Technology was developed by the Seller prior to their affiliation or association with the Company. Currently, the Company's Board of Directors has three members, John L. Threshie, Jr., Louis V. Muro and Loius A. Sanzaro. DEVELOPMENTAL STAGE At December 31, 2001, the Company is still in the development stage. The operations consist mainly of raising capital, obtaining financing, developing equipment, obtaining customers and supplies, installing and testing equipment and administrative activities. BASIS OF CONSOLIDATION The consolidated financial statements include the consolidated accounts of The Tirex Corporation, Tirex Canada R&D Inc., The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. Tirex Canada R&D Inc. is held 51% by certain shareholders of the Company. The shares owned by the certain shareholders are held in escrow by the Company's attorney and are restricted from transfer thereby allowing for a full consolidation of this Company. The Tirex Corporation Canada Inc.,

Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. are 100% held by the Company. All subsidiary companies except Tirex Canada R&D Inc. are dormant. All inter-company transactions and accounts have been eliminated in consolidation.

7 CASH AND CASH EQUIVALENTS For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less, were deemed to be cash equivalents.

INVENTORY The Company values inventory, which consists of finished goods and equipment held for resale, at the lower of cost (first-in, first-out method) or market.

PROPERTY AND EQUIPMENT Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of five years. Repairs and maintenance costs are expensed as incurred while additions and betterments are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are reflected in earnings.

INVESTMENT An investment made by the Company, in which the Company owns less than a 20% interest, is stated at cost value. The cost value approximates the fair market value of the investment.

ESTIMATES 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 the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 123 In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. SFAS 123 encourages, but does not require, companies to record stock-based compensation and other costs paid by the issuance of stock at fair value. The Company has chosen to account for stock-based compensation, stock issued for non-employee services and stock issued to obtain assets or in exchange for liabilities using the fair value method prescribed in SFAS 123. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 128 In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. SFAS 128 changes the standards for computing and presenting earnings per share (EPS) and supersedes Accounting Principles Board Opinion No. 15, Earnings per Share. SFAS 128 replaces the presentation of Primary EPS with a presentation of Basic EPS and replaces the presentation of Fully Diluted EPS with a presentation of Diluted EPS. It also requires dual presentation of Basic and Diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the Basic EPS computation to the numerator and denominator of the Diluted EPS computation. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. SFAS 128 also requires restatement of all prior-period EPS data presented.

8 As it relates to the Company, the principal differences between the provisions of SFAS 128 and previous authoritative pronouncements are the exclusion of common stock equivalents in the determination of Basic Earnings Per Share and the market price at which common stock equivalents are calculated in the determination of Diluted Earnings Per Share. A Basic Earnings per Share is computed using the weighted average number of shares of common stock outstanding for the period. Diluted Earnings per Share is computed using the weighted average number of shares of common stock and dilutive common equivalent shares related to stock options and warrants outstanding during the period. The adoption of SFAS 128 had no effect on previously reported loss per share amounts for the year ended June 30, 1997. For the years ended June 30, 2001 and 2000, Primary Loss per Share was the same as Basic Loss per Share and Fully Diluted Loss per Share was the same as Diluted Loss per Share. A net loss was reported in 2001 and 2000, and accordingly, in those years, the denominator for the Basic EPS calculation was equal to the weighted average of outstanding shares with no consideration for outstanding options and warrants to purchase shares of the Company's common stock because to do so would have been anti-dilutive.

FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amount of the Company's financial instruments, which principally include cash, note receivable, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments. The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At December 31, 2001 and June 30, 2001, respectively, the carrying value of all financial instruments was not materially different from fair value.

INCOME TAXES The Company has net operating loss carryovers of approximately \$24.5 million as of December 31, 2001, expiring in the years 2004 through 2017. However, based upon present Internal Revenue Service regulations governing the utilization of net operating loss carryovers where the corporation has issued substantial additional stock and there has been a

change in control as defined by the Internal Revenue Service regulations, a substantial portion of this loss carryover may not be available to the Company. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, effective July 1993. SFAS No. 109 requires the establishment of a deferred tax asset for all deductible temporary differences and operating loss carryforwards. Because of the uncertainties discussed in Note 2, however, any deferred tax asset established for utilization of the Company's tax loss carryforwards would correspondingly require a valuation allowance of the same amount pursuant to SFAS No. 109. Accordingly, no deferred tax asset is reflected in these financial statements. The Company has research and experimental development tax credits receivable from the Canadian Federal government and the Quebec Provincial government amounting to \$142,998 at December 31, 2001 compared to \$361,029 as of June 30, 2001. These are the result of tax credits for research and experimental development expenditures made by the Company which are not contingent upon any offset against any income taxes otherwise payable.

9 FOREIGN CURRENCY TRANSLATION Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated to U.S. dollars at exchange rates in effect at the balance sheet date for monetary items and historical rates of exchange for non-monetary items with the resulting translation adjustment recorded directly to a separate component of shareholders' equity. Income and expense accounts are translated at average exchange rates during the year. Currency transaction gains or losses are recognized in current operations.

REVENUE RECOGNITION Revenue from the sale of TCS Systems will be recognized when the installed product is accepted by the customer. All other revenue from other products will be recognized when shipped to the customer.

Note 2 - GOING CONCERN As shown in the accompanying financial statements, the Company incurred a net loss of \$3,112,138 during the year ended June 30, 2001 and an additional net loss for the six month period ended December 31, 2001 in the amount of \$925,336. In March 1993, the Company had begun its developmental stage with a new business plan. As of March 2000, the Company had developed a production quality prototype of its patented system for the disintegration of scrap tires, but nonetheless continued its research and development efforts to improve the machine's performance and to permit greater flexibility in design for specific customer applications. While the Company has engaged the process of marketing the TCS System to numerous potential clients since the beginning of the fiscal year commencing July 1, 2000, as of December 31, 2001, the Company had not yet consummated an unconditional purchase order for a TCS System. Until such an unconditional purchase order will have been received, Management considers the Company to still be in the developmental stage. The Company is dependent on the success of its marketing of its TCS Plants, and/or raising funds through equity sales, bank or investor loans, governmental grants or a combination of these, to continue as a going concern. The Company's uncertainty as to its productivity and its ability to raise sufficient capital, raise substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 - FINANCING COSTS During the year ended June 30, 1999, the Company incurred costs of \$158,255 in connection with debt financing. These costs have been capitalized in other assets and are being amortized over the terms of the financing. Amortization of financing costs for the year ended June 30, 2000 was \$125,291, reducing this account balance to zero. During the year ended June 30, 2001, the Company incurred costs of \$180,557 in connection with debt financing. These costs have been capitalized in other assets and are being amortized over the terms of the financing. Amortization of financing costs for the year ended June 30, 2001 was \$79,943. Amortization of financing costs for the six month period ended December 31, 2001 was \$53,936.

10 Note 4 - PROPERTY AND EQUIPMENT As of December 31, 2001, plant and equipment consisted of the following: Furniture, fixtures and equipment \$ 159,889 Leasehold improvements 175,161 Construction in progress - equipment 2,000,000 ----- 2,335,050 Less: Accumulated depreciation and amortization 225,766 ----- \$2,109,284 ===== Depreciation and amortization expense charged to operations for the year ended June 30, 2001 was \$147,611. Depreciation and amortization expense charged to operations for the six month period ended December 31, 2001 was \$27,672.

Note 5 - GOVERNMENT LOANS Canada Economic Development - Loan payable under the Industrial Recovery Program for Southwest Montreal amounting to 20% of certain eligible costs incurred (maximum loan \$333,300) repayable over four years commencing March 31, 1999 and ending March 31, 2002, unsecured and non-interest bearing. (If the Company defaults, the loans become interest bearing.) \$ -- - Loans payable under the Program for the Development of Quebec SMEs based on 50% of approved eligible costs for the preparation of market development studies in certain regions. Loans are unsecured and non-interest bearing. (If the Company defaults, the loans become interest bearing.) - Loan repayable over five years commencing June 30, 2000 and ending June 30, 2004 51,828 - Loan repayable over

five years commencing June 30, 2001 and ending June 30, 2005 56,775 - Loan repayable in amounts equal to 1% of annual sales in Spain and Portugal through June 30, 2007, to a maximum of the balance of the loan outstanding. If no sales occur on or before this date in Spain and Portugal, the loan will become non-repayable. 14,000 - Loan repayable in amounts equal to 11/2% of annual sales in Spain and Portugal through June 30, 2004, to a maximum of the balance of the loan outstanding. If no sales occur on or before this date in Spain and Portugal, the loan will become non-repayable. 66,500 ----- 189,103 Less: Current portion 19,312 ----- Long-term portion \$ 169,791
===== 11 Principal repayments are as follows: June 30, Amount ----- 2002 \$ 19,311 2003 30,083
2004 105,129 2005 20,580 2006 -- 2007 14,000 ----- \$189,103 ===== During the six-month period ended December 31, 2001, the Company was declared in default, with respect to the loan under the Industrial Recovery Program for Southwest Montreal, as a result of a late instalment repayment and as such was obligated to repay the entire remaining balance due on the loan. Note 6 - CAPITAL LEASE OBLIGATIONS The Company leases certain manufacturing equipment under agreements classified as capital leases. The cost and the accumulated amortization for such equipment as of June 30, 2001 was \$62,400 and \$24,960, respectively. The cost and accumulated amortization for such equipment as of December 31, 2001 was \$62,400 and \$31,200, respectively. The equipment under capital leases has been included in property and equipment on the balance sheet. The following is a schedule by years of future minimum lease payments under capital leases of equipment together with the obligations under capital leases (present value of future minimum rentals) as at December 31, 2001: Years ended June 30, Amount -----
2002 \$ 7,757 2003 15,513 2004 15,513 ----- Total minimum lease payments 38,783 Less: Amount representing interest 5,597 ----- Total obligations under capital lease 33,186 Less: Current portion of obligations under capital leases 6,226 ----- Long-term obligation portion of under capital leases, with interest rate of 10% \$ 26,960
===== 12 Note 7 - CONVERTIBLE SUBORDINATED DEBENTURES Convertible subordinated debentures consist of the following: Type B ----- Balance at December 31, 2001 and June 30, 2001 \$ -- Interest rate 10% Maturity Earlier of (i) - two years from the issue date, or (ii) - the completion of a public offering of its securities by the Maker. These debentures are subordinated to all current and future bank debt. Redemption rights If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest. Conversion ratio \$.20 per share. During the year ended June 30, 2000, \$305,000 of convertible debentures were converted into common stock. During the year ended June 30, 2001, \$20,000 of convertible debentures were converted into common stock. At December 31, 2001, \$55,000 of convertible debentures had matured and were not converted into common stock and have been included in long term deposits and notes. These convertible debentures were originally issued between December 1997 and February 1998. Note 8 - CONVERTIBLE NOTES Convertible notes consist of an investment arrangement with a group of institutional investors involving a multi-stage financing under which the Company may obtain, at its option, up to \$5,000,000. A first tranche of \$750,000 has been completed and, under the terms of the investment arrangement, further tranches may be completed under certain conditions and as required by the Company. Balance at December 31, 2001 and June 30, 2001 (First tranche) \$ 750,000 Interest rate 8%, payable quarterly, commencing June 30, 2001. Issue date February 26, 2001 Maturity date February 26, 2003 Redemption rights If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest. 13 Conversion ratio Lower of (i) - 80% of the average of the three lowest closing bid prices for the thirty trading days prior to the issue date, which equals \$.073, or (ii) - 80% of the average of the three lowest closing bid prices for the sixty trading days prior to the conversion date. Common stock warrants The Convertible notes carry an option to purchase Common stock warrants at the rate of one Warrant for each \$1.25 of purchase price. The exercise price on the first tranche of \$750,000 is \$.077 per share. Certain Directors and Officers of the Company have pledged approximately 12,000,000 of their personal shares of Common stock of the Company as security for the Convertible notes until such time as the Company files with the Securities and Exchange Commission a Registration Statement on Form SB-2, to register common stock and warrants issuable upon the conversion of the notes, no later than 150 days after the issue date of the Convertible notes. This deadline was not met and, as such, the investors served a notice of default to the Company on July 19, 2001. The matter is currently under negotiation with the investors to attempt to resolve the various issues. During the three-month period ended December 31, 2001 and in January 2002, the Company authorized the investors to sell 1,800,000 of the shares held as security. The Registration Statement has still not been declared effective by the Securities and Exchange Commission and until such occurs, the Convertible notes cannot be converted to Common stock nor may the Common stock warrants be exercised. Note 9 - CONVERTIBLE NOTE A Convertible note, under a private arrangement, consists of the following: Balance at

December 31, 2001 and June 30, 2001 \$ 185,556 Interest rate 8% Issue date July 19, 2000 Maturity date January 19, 2002 Redemption rights If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest. Conversion ratio Not convertible prior to July 19, 2001, at 20% discount to market between July 19, 2001 and January 19, 2002 or at 25% to market if held to maturity, to a maximum of not more than 2,500,000 shares.

14 Note 10 - RELATED PARTY TRANSACTIONS Convertible loans include amounts primarily from Directors, Officers and employees that will ordinarily be repaid through the issuance of stock. At December 31, 2001 and June 30, 2001, the balances owing to Directors and Officers was \$964,843 and \$1,120,828, respectively. These amounts are without interest or terms of repayment. Various Notes Receivable from Officers, separately reported on the audited Balance Sheet of June 30, 2000, plus accrued interest thereon, were offset against amounts due to these Officers as of June 30, 2001. Long-term deposits and notes included an amount of \$118,500 at December 31, 2001, which is payable to Ocean Tire Recycling & Processing Co., Inc., a company owned by a Director of the Company. Subsequent to June 30, 2000, the Company modified an agreement with Ocean Tire Recycling & Processing Co., Inc. to clarify various terms of the parties' prior agreements and to obtain a commitment by Ocean Tire Recycling & Processing Co., Inc. to pay, when necessary, lease payments on the prototype TCS System. As part of the agreement, the Company will repay Ocean Tire Recycling & Processing Co., Inc. in cash or through the issuance of stock. The lease payments, under the accounting provisions for an operating lease, have been recorded as a Research and Development expense and the debt obligation included in loans from related parties. During the year ended June 30, 2001, 6,500,000 common shares were issued under the agreement as a partial settlement and, pursuant to Ocean Tire Recycling & Processing Co., Inc.'s request, were issued to its principal shareholder and President, who is also a Director of the Company. During the six month period ended December 31, 2001, an additional 4,553,102 common shares were issued under the agreement to a designated person assigned by Ocean Tire Recycling & Processing Co., Inc.

Note 11 - EXCHANGE OF DEBT FOR COMMON STOCK During the year ended June 30, 2001, the Company recorded an increase in common stock and additional paid-in capital of \$1,905,838 representing issuances of stock in lieu of cash payments for debts owed. During the six month period ended December 31, 2001, the Company recorded increases in common stock and paid-in capital of \$772,596, which was in recognition for the exchange of common stock for debts owed.

Note 12 - COMMON STOCK During the six month period ended December 31, 2001 and the year ended June 30, 2001, the Company issued common stock in exchange for services performed totalling \$367,273 and \$1,388,792, respectively. Included in these amount are payments to Officers of the Company in exchange for salary and expenses in the amount of \$56,337 and \$1,115,784, respectively. The dollar amounts assigned to such transactions have been recorded at the fair value of the services received, because the fair value of the services received was more evident than the fair value of the stock surrendered.

15 On January 31, 2001, the Company's stockholders approved an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of common stock, par value \$0.001, from 165,000,000 shares to 250,000,000 shares. As at December 31, 2001, the Company had 197,363,834 Common shares issued and outstanding.

Note 13 - STOCK PLAN The Company established a Stock Plan in June of 2000 whereby key personnel of the Company, consultants and other persons who have made substantial contributions to the Company are afforded the opportunity to acquire or increase their proprietary interest in the Company by the issuance to such individuals of Awards, Options or Grants under the terms set forth in the Stock Plan. The Stock Plan originally called for the issuance of a maximum of 7,000,000 shares of stock as Awards, the issuance of a maximum of 7,000,000 shares of stock to underlie Options and the issuance of a maximum of 7,000,000 shares of stock that may be issued as Grants. Awards and Options can only be given to individuals who have been either in the employ of the Company, an Officer, Director or consultant for the preceding six months. Awards are not fully vested until the end of three years with one-twelfth of the aggregate award vesting at the end of each quarter. If the Awardee is terminated for cause or resigns, the unvested portion of the award is forfeited. Options can be exercised at any time and upon exercise, the underlying stock is fully vested with the purchaser. The Options are not transferable and are exercisable for two years after which time they expire. If the Optionee is terminated for cause or resigns, all unexercised options are forfeited. A Grant can only be given to persons who have made a substantial contribution to the Company and the shares are not forfeitable. On January 31, 2001, the Company amended the Stock Plan providing for an additional 3,000,000 shares being allocated as Grants and an additional 2,000,000 shares allocated to be given as Options. On May 30, 2001, the Stock Plan was further amended reallocating the 7,000,000 shares to be given as Awards to allow 5,000,000 of the shares to be used for Options and 2,000,000 of the shares to be used as Grants. There were no stock issuances under

the Stock Plan for the year ended June 30, 2000. During the year ended June 30, 2001, the Company issued 9,300,000 shares as Grants under the Stock Plan at an average stock price of \$.093 for an aggregate consideration of \$867,374. During the six month period ended December 31, 2001, the Company issued 750,000 shares as Grants under the Stock Plan at an average stock price of \$.016 for an aggregate consideration of \$12,031. During the year ended June 30, 2001, the Company had the following transactions as Options under the Stock Plan: Number of Avg. Exercise Aggregate Shares Price Consideration ----- Granted and unexercised at beginning of year Nil -- -- Granted and exercised during the year 9,698,228 \$ 0.13 \$ 1,273,334 Granted and unexercised at end of year Nil -- -- 16 The exercise price at the time the Options were granted and exercised was approximately equal to the market price at that time. There were no Options granted or exercised during the six month period ended December 31, 2001.

Note 14 - ACQUISITION BY MERGER OF RPM INCORPORATED During November 1997, the Company entered into a merger agreement with RPM Incorporated ("RPM"). The Company acquired all of the assets and liabilities of RPM by acquiring all of the outstanding common stock of RPM in exchange for common stock in the Company on a unit for unit basis. RPM ceased to exist following the exchange. The assets and liabilities acquired by the Company from RPM consisted of the proceeds from the sale of debentures of \$535,000. The financing fees on the issuance of the debentures, totaling \$61,755, were included as an expense in the statement of operations for the year ended June 30, 1998. A total of 535,000 shares were issued as a result of the merger valued at \$16,050. A total of \$16,050 was received for this stock. The Company entered into an additional agreement with the former shareholders of RPM for consulting services for a period of 5 years expiring in June 2002. Pursuant to this consulting agreement, 3,000,000 shares of common stock were issued valued at \$240,000. Other than the consulting agreement and the issuance of the debentures, RPM was inactive. For accounting purposes, the Company recorded the merger as a purchase and not as a pooling of interests.

Note 15 - GOVERNMENT ASSISTANCE The Company is eligible for and has made claims for tax credits related to scientific research and experimental development expenditures made in Canada. These amounts, under Canadian Federal and Provincial tax law in conjunction with its annual tax return filings, need not be offset against taxes otherwise payable to become refundable to the Company at the end of its fiscal year. As such, during the year ended June 30, 2001, the Company received approximately \$353,725 which has been recorded as an increase in stockholders' equity paid-in capital. Also, during the six month period ended December 31, 2001, the Company received approximately \$569,111 which has also been recorded as an increase in stockholders' equity paid-in capital. During the six month period ended December 31, 2001, the Company recorded additional tax credits in the amount of \$142,998, bringing the reported receivable balance from these governments from \$361,029 as of June 30, 2001 to \$142,998 as of December 31, 2001.

Note 16 - COMMITMENTS The Company leases office and warehouse space at an annual minimum rent of \$80,000 for the first year, \$160,000 for the second year and \$200,000 per year for the third through the fifth years. The lease expires in 2003. The Company is responsible for its proportionate share of any increase in real estate taxes and utilities. Also under the terms of the lease, the Company is required to obtain adequate public liability and property damage insurance. The minimum future rental payments under this lease are as follows:

June 30, Amount	2002	2003	
-----	\$ 94,174	141,261	----- \$235,435

===== Rental expense for the year ended June 30, 2001 amounted to \$215,237. Rental expense for the three month period ended December 31, 2001 amounted to \$98,237. The lease contains a second ranking moveable hypothec in the amount of \$300,000 on the universality of the Company's moveable property. At December 31, 2001, the Company was in arrears of rent of \$238,015.

Note 17 - LITIGATION An action was instituted by Plaintiffs, a Canadian resident and a Canadian corporation, in a Canadian court alleging a breach of contract and claims damages of approximately \$508,600 representing expenses and an additional approximate amount of \$1,874,000 in loss of profits. The current action follows two similar actions taken in United States courts, the first of which was withdrawn and the second of which was dismissed based on forum non convenience and other considerations. A detailed answer has been filed by the Company denying all liability, stating further that Plaintiffs failed to comply with their obligations. Counsel for the Company believes that the Company has meritorious defenses to all of the Plaintiff's claims. The action is still pending. An action was brought by a Plaintiff against the Company, alleging that the Company had agreed to issue 1,000,000 shares of its Common stock to the Plaintiff in consideration for expenses allegedly paid by the Plaintiff in the amount of approximately \$150,000. These expenses allegedly were incurred in relation to the rental of certain office space and performance of administrative services. The Plaintiff's complaint seeks to impose an equitable trust or lien on 1,000,000 of unissued shares of the Company, demands the issuance of 1,000,000 shares to the Plaintiff and seeks for breach of contract, monetary damages of \$1,400,000. Counsel for the

Company believes that the Company has valid defenses to all of the Plaintiff's claims and has denied all of the Plaintiff's allegations. The Plaintiff is presently in default of its production of documents and the Company intends to enforce its rights, including moving to dismiss Plaintiff's complaint, if appropriate. The case is in the pretrial discovery stage. An action was instituted by a Plaintiff, a Canadian corporation, in August 2001 in a Canadian court claiming approximately \$63,000 is due and owing for the manufacture and delivery of tire disintegrators. The Company is preparing its defense and a cross claim against the Plaintiff as the product delivered was defective and the Company believes it is entitled to a reimbursement of sums paid. The action is still pending. Note 18 - ACCUMULATED OTHER COMPREHENSIVE INCOME The deficit accumulated during the development stage included accumulated comprehensive other income totaling \$103,396. 18 ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The following is management's discussion and analysis of significant factors, which have affected the Company's financial position and operations during the six-month period ended December 31, 2001. This discussion also includes events which occurred subsequent to the end of the last quarter and contains both historical and forward-looking statements. When used in this discussion, the words "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" "intend(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Results of Operations Since the spring of 2000 business conditions have been very difficult as a result of the reduced availability of capital. The tragic events of September 11th further exacerbated our lack of access to capital and reduced liquidity. While in general since September 11th, there appears to be renewed interest in companies operating in the defense sector and in businesses relating to security, this interest has not extended to other business sectors, including ours, with the result our business conditions and access to capital has continued to be very problematic. Further, customer concerns with respect to the effectiveness of our TCS Technology and its long-term durability, combined with the capital cost of buying such a system, has resulted in a lack of Purchase and Sales Agreements. In the absence of contractual performance guarantees or bonds, which heretofore we have been unable to supply, customers have consistently deferred the conclusion of Purchase and Sales Agreements. With our deteriorating liquidity position in the second quarter of fiscal 2002, our ability to deliver TCS Systems has been questioned. To alleviate these market impediments, we have sought the assistance of certain corporations owned by the Government of Canada whose mandates focus on the development of export markets. These corporations can take the position as the prime contractor for a foreign contract, thus greatly increasing the security on the part of the customer. We believe that this approach could result in a Purchase and Sales Agreement and the implementation of a joint venture arrangement with respect to the production and marketing of products incorporating recycled rubber crumb with Puerto Rican interests with whom we signed a Memorandum of Understanding in the spring of 2001. Should a Canadian government owned corporation choose to intervene on our behalf for the potential sale of a TCS System to the Puerto Rican interests, we would become the prime sub-contractor. We are of the opinion that our association with a corporation owned by the Government of Canada would satisfy the Puerto Rican financial institutions financial security concerns. While we are optimistic that the assistance of the Federal Government corporations may be obtained, the final decisions thereon are in the hands of these corporations and no assurances can be given that such assistance will actually materialize. 19 A similar approach is being attempted in an effort to conclude Purchase and Sales Agreements with Italian interests with whom we have been negotiating for several months. As with the Puerto Rican opportunity, our heretofore inability to provide financial security with respect to contract performance has appeared to be the primary stumbling block to consummating the agreement. We cannot provide any guarantees that any of the prospective customers which whom we have had discussions or negotiations will actually conclude an unconditional Purchase and Sales Agreement with us. Although we had been approved to receive our research and development tax credits for the fiscal year ended June 30, 2001, the federal government agency, Canada Economic Development for Quebec Regions (CEDQR), having declared us in default with respect to the repayment terms under our loan under the Industrial Recovery Program for Southwest Montreal, seized the entire amount of the refund. The amount seized, Cdn\$461,998 (approximately US\$291,000) was approximately Cdn\$252,000 (approximately US\$158,800) in excess of the amounts then past due plus interest thereon. This unexpected seizure by CEDQR seriously damaged our liquidity and our ability to complete the final additions to the prototype TCS-1 to meet market demands, and to operate our TCS system producing and selling rubber crumb. As previously reported, in an effort to generate cash flow and to demonstrate the viability of the TCS system and markets for rubber crumb, in the first half of Fiscal 2002 we converted our prototype TCS-1, located

in Montreal, into a commercial recycling operation. Concurrent with the conversion, we negotiated supply contracts to take the output of the converted prototype TCS-1. While the quality of the rubber crumb produced by the TCS prototype met the expectations of our customers, the system configuration did not permit the production of such quantities of the finer mesh sizes demanded by these customers. Additional finishing equipment to obtain large quantities of finer mesh rubber crumb was required. Much of this was installed prior to the end of December but two additional pieces of equipment remain to be acquired and installed before the system configuration would fully respond to market demands. Lack of cash to acquire this equipment, largely due to the seizure of our research and development Tax Credit check by CEDQR, has meant that we have been unable to complete the final equipment installations and, to date, we have not recommenced tire recycling operations following the holiday season shutdown. As a result, we have been unable to deliver the quantities of rubber crumb requested by our customers. During the second quarter of Fiscal 2002, our continuing weak financial position further eroded our ability to meet our financial obligations toward management and consultants. Historically, in such circumstances, we have issued stock to such persons in lieu of cash compensation. However, due to the low current 20 market price of our common stock, such issuances in lieu of cash compensation would have required the issuance of very large numbers of shares. In an effort to conserve the number of shares available for issuance vis-a-vis our total share authorization of 250 million, and as a measure to protect the interests of our shareholders, we have deferred the issuance of shares to management and consultants with the expectation that our management and consultants will remain loyal and cooperative during this difficult period and that commercial success will afford us with sufficient cash flow to meet our obligations. We have always been cognizant of the fact that any technological advantage has a limited lifespan and that it is necessary to employ all available resources to attempt to effect as rapid a penetration of the market as possible. Given our limited financial resources, this has required us to embark on a strategy of using partnerships and alliances to maximize our marketing effort and alleviate customer concerns. These partnerships and alliances were explained in the quarterly report for the period ended September 30, 2002 and continue to be in effect. In February of 2001, we concluded a private financing with an investor group managed by a New York-based company. Under the terms of the Agreement, we had the contractual right to require the Investor to purchase up to US\$5,000,000 of put notes. To date, we have drawn down US\$750,000 of this amount. The initial \$750,000 was provided in the form of a Convertible Note. In addition to the conversion feature, warrants were also issuable as a function of the actual amount of the funds drawn down by the Company. Under the terms of the Agreement, we were required to file and have declared effective a Registration Statement on Form SB-2 within 150 days of the Closing Date of the Agreement. As of June 25, 2001, the Company was in technical default for failing to have an effective Registration Statement on record with the SEC. We were unofficially advised of the default in mid-July 2001. We have maintained regular communications with the New York management company of the investor group and have been working with them to arrive at a mutually acceptable resolution. We are continuing to redraft the SB-2 Registration Statement in such a fashion as to address all of the questions and comments communicated to the Company by the SEC as a result of the first filing of the SB-2 Registration Statement. Corporate Counsel for the Company has indicated that the revised SB-2 will be completed shortly. It is possible that further modifications to the SB-2 may be required either as a result of additional questions and comments from the SEC, or as a result of negotiations with the investor group. Management cannot, at this point, predict with any reasonable degree of certainty, the ultimate outcome of negotiations with the investor group or whether the SB-2 Registration Statement, currently in revision, will ever become effective. Because of the lengthy delay preceding the commencement of commercial operations, particularly with respect to the sale and manufacturing of TCS Systems, we have had to, and in the foreseeable near future, will be forced to continue to cover a substantial part of our overhead costs from sources other than revenues from operations. Typically, in the early stages of rubber crumb production our monthly overhead costs were approximately \$100,000 per month, prior to any revenues generated from the sales of rubber crumb and from tire recycling subsidies. We anticipated these costs to be early stage offset by revenues from the sale of rubber crumb and tire recycling subsidies of between \$60,000 and \$75,000 per month. Since the shutdown during the holiday season, our monthly overhead costs have been reduced to approximately \$35,000. However, rubber crumb is not being produced and thus there are no revenues to reduce the monthly overhead cost. We are unable to predict when rubber crumb operations and tire recycling subsidies will resume, or when the revenues therefrom will be adequate to cover monthly overhead costs. Liquidity and Capital Resources The activities of the Company, since its formation in 1987, and the inception of its current business in 1993 have been financed by sources other than operations. Such financing was principally provided by the sale of securities

in private transactions and by additional capital investments by directors, officers and employees. During the six month period ended December 31, 2001, directors, officers, employees and consultants made direct cash investments into the Company for an amount of \$421,342, of which the amount of \$157,172 was invested during the second quarter of Fiscal 2002. During the Fiscal year ended June 30, 2001, direct cash investments made by the directors, officers, shareholders and consultants amounted to \$950,713. As of December 31, 2001, the Company had total assets of \$2,739,453 as compared to \$3,297,211 at December 31, 2000 reflecting a decrease of \$557,758, and a decrease of \$332,792 versus total assets as of the last fiscal year end, June 30, 2001, which amounted to \$3,072,245. Management attributes the decrease from December 31, 2000 to December 31, 2001 primarily to the following factors: (i) a decrease of \$497,244 in Tax Credits Receivable from the balance as of December 31, 2000 in the amount of \$640,242 to the December 31, 2001 balance of \$142,998, and (ii) a decrease of \$33,452 in Inventory from the balance as of December 31, 2000 in the amount of \$105,829 to the December 31, 2001 balance of \$72,377, and (iii) a decrease of \$26,900 in Sales Tax Receivable from the balance as of December 31, 2000 in the amount of \$26,900 to the December 31, 2001 balance of zero, and (iv) a decrease of \$81,138 in Property and Equipment from the balance as of December 31, 2000 in the amount of \$2,190,422 to the December 31, 2001 balance of \$2,109,284, and (v) an increase of \$89,500 in an Investment from the zero balance as of December 31, 2000 to the December 31, 2001 balance of \$89,500. Management attributes the decrease from June 30, 2001 to December 31, 2001 primarily to the following factors: (i) a decrease of \$218,031 in Tax Credits Receivable from the balance as of June 30, 2001 in the amount of \$361,029 to the December 31, 2001 balance of \$142,998 and, (ii) a decrease of \$130,176 in Prepaid Expenses and Deposits from the balance as of June 30, 2001 in the amount of \$436,253 to the December 31, 2001 balance of \$306,077, and (iii) a decrease of \$47,350 in Sales Tax Receivable from the balance as of June 30, 2001 in the amount of \$47,350 to the December 31, 2001 balance of zero, and (iv) an increase of \$89,500 in an Investment from the zero balance as of June 30, 2001 to the December 31, 2001 balance of \$89,500. As of December 31, 2001, the Company had total liabilities of \$3,567,381 as compared to \$3,432,342 at December 31, 2000, reflecting an increase of \$135,039, and reflecting a decrease of \$538,355 versus total liabilities as of the last fiscal year end, June 30, 2001, which total amounted to \$4,105,736. The increase in total liabilities from December 31, 2000 to December 31, 2001 is primarily attributable to an increase of \$935,556 in Convertible Securities offset by a decrease in Loans from Related Parties in the amount of \$619,971. The decrease in total liabilities from June 30, 2001 to December 31, 2001 is primarily attributable to a decrease of \$461,534 in Current Liabilities through the use of Government tax credits received during the six month period ended December 31, 2001, and to a decrease of \$166,112 in Loans from Related Parties which was the result of conversions of debt obligations into common stock. Reflecting the foregoing, the financial statements indicate that as at December 31, 2001, the Company had a working capital deficit (current assets minus current liabilities) of \$847,355 compared to a working capital deficit of \$286,486 as at December 31, 2000, reflecting an increase of \$560,869. The working capital deficit of \$847,355 as at December 31, 2001 compares to a working capital deficit of \$1,014,882 as at June 30, 2001, reflecting a decrease of \$167,527. The financial statements which are included in this report reflect total operations and other expenses of \$921,949 for the six month period ended December 31, 2001 versus \$1,349,604 for the comparative six month period ended December 31, 2000, reflecting a decrease of \$427,655. The primary reasons for this decrease relate to decreased personnel expenses, a decrease in the amount relating to foreign exchange losses and to a decrease in the amount recorded for Research and Development.

PART II: OTHER INFORMATION Item 1: ----- We are presently a party in the following legal proceedings: *IM2 Merchandising and Manufacturing, Inc and David B. Sinclair v. The Tirex Corporation, Tirex Corporation Canada, Inc., et al.* 23 The Plaintiffs, a Canadian resident and a Canadian corporation sued in the Delaware, U.S. Federal District Court claiming fraud, breach of contract, unjust enrichment and other allegations, that the alleged Defendants, which include Tirex Corporation Canada and The Tirex Corporation, jointly conspired to profit from their failure to comply with terms of a manufacturing agreement. The monetary demand of this complaint was unspecified. We were prepared to move to dismiss Plaintiffs' Complaint, but after consultations with the Plaintiffs' Attorneys, the Plaintiffs' withdrew this complaint voluntarily. Plaintiffs later filed a second action in the Chancery Court of Delaware alleging certain of the same allegations; fraud, breach of contract, unjust enrichment, breach of fiduciary duty and misrepresentation, but eliminated other counts including the securities fraud allegations. The Defendants in the State Court action are the same named in the Federal Court action, and again the monetary damages were unspecified. We moved to dismiss the State Court Chancery case alleging defective service of process and asserting that the Court had no jurisdiction over the Defendants in Delaware and for removal of the case to

Canada based on forum non convenience and other considerations. Our motion was granted and the case dismissed. Subsequently, on or about April 25, 2001, the Plaintiffs instituted a lawsuit in Superior Court, judicial district of Montreal alleging breach of contract and claims damages of Canadian\$794,690 (approximately US\$508,600) representing expenses and an additional Canadian\$5,411,158 (approximately US\$1,874,000) in loss of profits. We have filed a detailed answer denying all liability, stating further that Plaintiffs failed to comply with their obligations. We believe we have meritorious defenses to all of the Plaintiffs' claims. The action is still pending. Surgent v. The Tirex Corporation An action was brought by the Plaintiff against us, alleging that we had agreed to issue 1,000,000 shares of our Common Stock to the Plaintiff in consideration for expenses allegedly paid by the Plaintiff on our behalf in the amount of approximately \$150,000. These expenses allegedly were incurred in relation to the rental of certain office space and performance of administrative services. The Plaintiff's complaint sought to impose an equitable trust or lien on 1,000,000 of our unissued common shares, demanded the issuance of the 1,000,000 shares and alleged breach of contract and claimed damages of \$1,400,000. We moved to dismiss the case on various procedural grounds and in September 2000 the Court granted our motion based upon the lack of venue in Union County, New Jersey. A new action was instituted by Plaintiff in the Superior Court of New Jersey, Bergen County in April 2001 alleging similar claims as set forth in the previous action. We denied all of plaintiff's allegations. We believe we have valid defenses to all of Plaintiff's claims and the case is in the pretrial discovery stage, with the Court recently ordering that the Plaintiff provide additional documents and that all depositions be taken within ninety days. 24 Lefebvre Freres Limited v. The Tirex Corporation Lefebvre Freres Limited instituted an action against us on August 13, 2001 in the Superior Court, judicial district of Montreal claiming Canadian \$98,513 (approximately US\$63,000) is due and owing for the manufacture and delivery of car tire disintegrators. We are preparing a defense and cross claim against Plaintiff as the product delivered was defective and we believe we are entitled to a reimbursement of sums paid. The action is still pending. Tri-Steel Industries Inc. v. The Tirex Corporation Our landlord Tri-Steel Industries Inc. instituted an action against us, and our subsidiaries Tirex Canada and Tirex Canada R & D Inc., on or about June 22, 2001 for arrears of rent in the amount of Canadian\$230,050 (approximately US\$144,932 using a 63(cen) exchange rate). Since instituting the action, the amount of arrears has risen to approximately Cdn\$373,831 (approximately US\$235,514 using a 63(cen) exchange rate). Management has continued to have substantial and harmonious dialogue with the landlord, and the latter continues to demonstrate patience and understanding of the Company's liquidity difficulties, through his continuing to defer the exercise of the rights and remedies available. No director, officer, or affiliate of the Company, or any associate of any of them, is a party to or has a material interest in any proceeding adverse to us. 25

Item 2: - Changes in Securities and Use of Proceeds -----	Share Issuance
Continuity Schedule -----	Shares issued and
outstanding as of June 30, 2001 176,366,408 -----	
Issued during First Quarter- Fiscal 2002, as reported 20,997,426	
-----	Issued during Second Quarter - Fiscal 2002 0
-----	Issued from January 1, 2002 to 10-QSB
report date 0 -----	Total Issuances during current
Fiscal Year 20,997,426 20,997,426 -----	
-----	Total Outstanding as of February 15, 2002
197,363,834 =====	26 With respect

to sales and other issuances of restricted securities, which Registrant claims to have been exempt from the registration requirements of Section 5 of the Securities Act by reason of Section 4(2) thereof: (i) Registrant did not engage in general advertising or general solicitation and paid no commission or similar remuneration, directly or indirectly, with respect to such transactions. (ii) The persons who acquired restricted securities were executive officers and directors, employees or consultants of the Registrant, all of whom are sophisticated investors; Such persons had continuing access to all relevant information concerning the Registrant and/or have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of such investment and are able to bear the economic risk thereof. (iii) The persons who acquired restricted securities advised Registrant that the Shares were purchased for investment and without a view to their resale or distribution unless subsequently registered and acknowledged that they were aware of the restrictions on resale of the Shares absent subsequent registration and that an appropriate legend would be placed on the certificates evidencing the Shares reciting the absence of their registration under the Securities Act and referring to the restrictions on their transferability and resale. Item 3 -

Defaults Upon Senior Securities During 1998, the Company issued an aggregate of \$535,000 of two (2) year convertible, subordinated debentures bearing interest at the rate of 10%. Interest thereon was due and payable semi-annually commencing six months from the date of issuance. All debentures have either been converted or repaid, except for debentures in the principal amount of US\$55,000, which remain outstanding and on which principal and interest, which has accrued since the issuance of the debentures, are now due. On debentures converted subsequent to December 1999, interest was capitalized and converted to equity. Although the conversion option on the outstanding debentures has lapsed, the Company intends to extend the conversion dates of these debentures upon the request of the holders. As indicated above, In February of 2001, we concluded a private financing with an investor group managed by a New York-based company. Under the terms of the Agreement, we had the contractual right to require the Investor to purchase up to US\$5,000,000 of put notes. To date, we have drawn down US\$750,000 of this amount. The initial \$750,000 was provided in the form of a Convertible Note. In addition to the conversion feature, warrants were also issuable as a function of the actual amount of the funds drawn down by the Company. Under the terms of the Agreement, we were required to file and have declared effective a Registration 27 Statement on Form SB-2 within 150 days of the Closing Date of the Agreement. As of June 25, 2001, the Company was in technical default for failing to have an effective Registration Statement on record with the SEC. We were unofficially advised of the default in mid-July 2001. We have maintained regular communications with the New York management company of the investor group and have been working with them to arrive at a mutually acceptable resolution. We continuing to redraft the SB-2 Registration Statement in such a fashion as to address all of the questions and comments communicated to the Company by the SEC as a result of the first filing of the SB-2 Registration Statement. Corporate Counsel for the Company has indicated that the revised SB-2 will be completed shortly. It is possible that further modifications to the SB-2 may be required either as a result of additional questions and comments from the SEC, or as a result of negotiations with the investor group. Management cannot, at this point, predict with any reasonable degree of certainty, the ultimate outcome of negotiations with the investor group or whether the SB-2 Registration Statement, currently in revision, will ever become effective. Item 4 - Submission of Matters to a Vote of Security Holders No matters have been submitted to the Company's shareholders for vote during Fiscal 2002 to date. Item 6 - Exhibits and Reports on Form 8-K Exhibits No exhibits are being filed as a part of this Report. Form 8-K No reports on Form 8-K were filed during the quarterly period ended December 31, 2001. 28 SIGNATURES In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized. THE TIREX CORPORATION Date: February 15, 2001 By /s/ JOHN L. THRESHIE, JR.
----- John L. Threshie, Jr. President Date: February 15, 2001 By /s/ MICHAEL ASH
----- Michael Ash, Treasurer and Chief Accounting and Financial Officer 29