

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT
<b>CHAMPION RESOURCES INC.</b>	<b>June 30, 2002</b>	<b>2002 - 08 - 19</b>

ISSUER'S ADDRESS
<b>SUITE 1320 - 885 WEST GEORGIA STREET</b>

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
<b>VANCOUVER</b>	<b>B.C.</b>	<b>V6C 3E8</b>	<b>(604) 689-4250</b>	<b>(604) 689-7842</b>

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
<b>SANDRA KANSKY</b>	<b>CORPORATE SECRETARY</b>	<b>(604) 689-7842</b>

**CERTIFICATE**

*The three schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
? "RICHARD P. CLARK"	<b>RICHARD P. CLARK</b>	<b>2002 - 08 - 19</b>

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
? "PAUL K. CONIBEAR"	<b>PAUL K. CONIBEAR</b>	<b>2002 - 08 - 19</b>

**CHAMPION RESOURCES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF FINANCIAL CONDITION AND OPERATING RESULTS**  
**(In Canadian Dollars)**  
**JUNE 30, 2002**

The following discussion and analysis of the financial condition and results of operations for Champion Resources Inc. should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended June 30, 2002 and related notes thereto.

**General**

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

In January 2002, the Company received regulatory and shareholders approval to consolidate the Company's shares on a 1-for-10-basis. Accordingly, all share amounts have been restated to give effect to the consolidation.

**Results of Operations**

The Company's net loss for the second quarter and six months ended June 30, 2002 were \$81,000 and \$210,000 respectively, as compared to a net loss of \$131,000 and \$330,000 for the second quarter and six months of 2001. This decrease in net losses for both the second quarter and six months of 2002 as compared to year 2001 is primarily due to a decrease in general and administrative expenses.

General and administrative expenses for the second quarter and six months of year 2002 were \$82,000 and \$211,000 respectively. This represented a decrease of \$46,000 and \$116,000 compared to \$128,000 and \$327,000 for the same comparable periods of 2001. In particular, professional fees decreased by \$20,000 for the second quarter and \$18,000 for the first six months of 2002 from 2001. Promotion and public relations expenses also decreased by \$11,000 and \$13,000 respectively for the second quarter and first six months of 2002. There were no financing advisory fees for 2002 as compared to \$48,000 for the six months ended June 30, 2001.

The operating losses are a reflection of the Company's status as non-revenue producing mineral company. As the Company has no main sources of income, losses are expected to continue.

**Liquidity and Capital Resources**

At June 30, 2002, the Company had a working capital deficiency of \$147,000. During the period ended June 30, 2002, the Company completed a private placement of 1,687,500 units at a price of \$0.40 per unit for gross proceeds of \$675,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable over a two-year period at a price of \$0.40 in the first year and \$0.50 in the second year.

Expenditures incurred on the Farim project and the regional diamond reconnaissance in Guinea-Bissau during the six months ended June 30, 2002 were \$99,000 and \$9,000, respectively. Farim project expenditures were mainly related to care and maintenance costs including lease payments on the property. The regional diamond reconnaissance costs were related to sample analysis and technical reports.

The Company has limited capital resources and has to rely upon the sale of equity and debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues in the near future, it will have to continue to rely upon the sales of its equity and debt securities to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

## **Operations Review**

### *Farim Phosphate Deposit*

Farim is a world class phosphate deposit located in Guinea Bissau on the coast of West Africa. The Company is seeking a joint venture partner for the development of the Project. The Company is having ongoing discussions with potentially interested parties and these discussions are proceeding favourably, however, are introductory and preliminary at this stage.

Resources at Farim exceed 166 million tonnes grading 29.1% P<sub>2</sub>O<sub>5</sub>, including 37 million tonnes grading 31% P<sub>2</sub>O<sub>5</sub> scheduled for the first 15 years of mine life. Processed rock concentrate will grade 33% P<sub>2</sub>O<sub>5</sub> with high recoveries, low CaO/P<sub>2</sub>O<sub>5</sub> ratios and low quantities of deleterious elements such as cadmium. Significantly, deposit characteristics are also amenable for production of a higher grade (36% P<sub>2</sub>O<sub>5</sub>) product. (Resource estimated by MRDI Canada.) With these reserves and grades, Farim represents a unique opportunity for competitive growth in the phosphate business.

The political situation in Guinea Bissau is stable, and Farim has the full support of both the local and national governments. The Company intends to proceed with development of Farim immediately upon concluding a suitable venture agreement with an industry partner.

### *Diamond Exploration*

The Company had previously carried out a regional heavy mineral sampling program to test for diamond potential in Guinea Bissau, West Africa. Interpretation of the results suggests that kimberlite and/or lamproite rocks exist within the study area. In addition, the results support the possibility that some of these kimberlite/lamproite rocks are diamond bearing.

The sampling program comprised 104 heavy mineral samples collected from an area covering 1,000 square kilometres. The samples were sent to CF Minerals Research Ltd. in Kelowna, B.C. for processing and analyses. In total, fourteen of the samples analyzed contained one or more kimberlite and/or lamproite indicator minerals. Indicator minerals recovered include high Cr-Ti chromite, picroilmenite, magnesian almandine garnet and eclogitic clinopyroxene and orthopyroxene.

The results are considered encouraging, however, additional work is required to locate the kimberlite source rocks and to determine if any of the kimberlites are diamond-bearing.

### *Looking Forward*

The Company is reviewing a number of additional projects in the resource sector for possible acquisition.

### *Corporate*

Investor relations activities are carried out by Company personnel and include the design and maintenance of the company web site, investor information packages, as well as corporate presentations.

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

	<b>June 30, 2002 (Unaudited)</b>	<b>December 31, 2001</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 191,961	\$ 89,041
Accounts receivable	5,433	11,274
	197,394	100,315
Investment	20,000	20,000
Loan receivable	120,000	120,000
Mineral properties and related expenditures	7,430,865	7,322,122
Capital assets, net	27,489	27,489
	\$ 7,795,748	\$ 7,589,926
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 316,124	\$ 365,150
Due to related parties	27,826	243,698
	343,950	608,848
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Authorized - 100,000,000 common shares without par value		
Issued and outstanding - 5,362,894 common shares	16,913,801	16,238,801
Contributed surplus - stock options	5,800	-
Deficit	(9,467,803)	(9,257,723)
	7,451,798	6,981,078
	\$ 7,795,748	\$ 7,589,926

Approved by the Board:

"Paul K. Conibear"  
Director

"Richard P. Clark"  
Director

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

	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Expenses				
Amortization	\$ -	\$ 996	\$ -	\$ 1,509
Capital tax	-	-	-	(4,586)
Consulting	780	3,885	12,288	23,345
Financing and advisory fees	-	-	-	47,512
Foreign exchange (gain) loss	(13,983)	(8,026)	(13,178)	7,589
Interest and bank charges	4,847	370	10,035	937
Management fees	60,000	60,000	120,000	130,000
Office and general	5,673	7,010	11,996	31,026
Professional fees	4,135	23,951	17,824	35,375
Promotion and public relations	2,458	13,863	4,637	18,051
Stock exchange and filing fees	6,298	5,770	13,854	7,384
Transfer agent and shareholder information	6,253	8,778	14,751	9,659
Travel	5,649	11,316	18,806	13,089
Wages and benefits	-	-	-	6,081
	<u>82,110</u>	<u>127,913</u>	<u>211,013</u>	<u>326,971</u>
Interest income	<u>(903)</u>	<u>(789)</u>	<u>(933)</u>	<u>(1,577)</u>
Loss before the undernoted	81,207	127,124	210,080	325,394
Loss on disposal of capital asset	<u>-</u>	<u>4,240</u>	<u>-</u>	<u>4,240</u>
Net loss for the period	81,207	131,364	210,080	329,634
Deficit, beginning of the period	<u>9,386,596</u>	<u>8,940,459</u>	<u>9,257,723</u>	<u>8,742,189</u>
Deficit, end of the period	<u>\$ 9,467,803</u>	<u>\$ 9,071,823</u>	<u>\$ 9,467,803</u>	<u>\$ 9,071,823</u>
Basic and diluted loss per share	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.10</u>
Weighted average number of shares	<u>4,547,144</u>	<u>3,465,394</u>	<u>4,547,144</u>	<u>3,465,394</u>

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

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash flows (for) operating activities				
Net loss for the period	\$ (81,207)	\$ (131,364)	\$ (210,080)	\$ (329,634)
Items not affecting cash				
Amortization	-	996	-	1,509
Loss on disposal of capital assets	-	4,240	-	4,240
	<u>(81,207)</u>	<u>(126,128)</u>	<u>(210,080)</u>	<u>(323,885)</u>
Net changes in non-cash working capital items				
Accounts receivable and other current assets	5,444	19,927	5,841	26,194
Accounts payable and accrued liabilities	(47,868)	(142,480)	(49,026)	(30,648)
Due to related party	(418,169)	(61,459)	(215,872)	(68,411)
	<u>(541,800)</u>	<u>(310,140)</u>	<u>(469,137)</u>	<u>(396,750)</u>
Cash flows (for) investing activities				
Mineral properties and related expenditures	(15,352)	(197,250)	(102,943)	(299,973)
Proceeds from sale of capital assets	-	980	-	980
	<u>(15,352)</u>	<u>(196,270)</u>	<u>(102,943)</u>	<u>(298,993)</u>
Cash flows from financing activities				
Common shares issued	451,000	624,000	675,000	624,000
(Decrease) increase in cash	(106,152)	117,590	102,920	(71,743)
Cash, beginning of period	<u>298,113</u>	<u>83,778</u>	<u>89,041</u>	<u>273,111</u>
Cash, end of period	<u>\$ 191,961</u>	<u>\$ 201,368</u>	<u>\$ 191,961</u>	<u>\$ 201,368</u>
Supplementary information regarding non-cash transactions				
Investing and financing activities				
Mineral property expenditures by way of stock options	<u>\$ 5,800</u>	<u>\$ -</u>	<u>\$ 5,800</u>	<u>\$ -</u>

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

	<b>Six months ended June 30, 2002</b>	<b>Six months ended June 30, 2001</b>
<b>Farim Project, Guinea Bissau</b> (West Africa)		
Acquisition, leases and taxes	\$ 39,520	\$ 11,107
Offshore management and contractors	30,738	192,324
Stock based compensation expense	5,800	-
Office and administration	9,171	8,647
Camp and general	-	3,414
Geological and geochemical	-	25,627
Transportation and travel	14,118	760
Incurred during the year	<u>99,347</u>	<u>241,879</u>
Balance - beginning of period	<u>6,597,596</u>	<u>6,289,538</u>
Balance - end of period	<u>6,696,943</u>	<u>6,531,417</u>
<b>Guinea Bissau Reconnaissance</b> (West Africa)		
General reconnaissance		
Beginning and end of period	<u>561,758</u>	<u>561,758</u>
Diamond reconnaissance		
Assaying and sampling		6,386
Geological and geochemical	8,385	26,272
Maps	1,011	-
Transportation and travel	-	25,437
Incurred during the year	<u>9,396</u>	<u>58,095</u>
Balance - beginning of period	<u>162,768</u>	<u>38,086</u>
Balance - end of period	<u>172,164</u>	<u>96,181</u>
<b>Total</b>	<u>\$ 7,430,865</u>	<u>\$ 7,189,356</u>

**CHAMPION RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2002**  
**(Unaudited)**

**1. Significant Accounting Policies**

The unaudited interim consolidated financial statements of Champion Resources Inc. (the "Company") are prepared in accordance with accounting principles generally accepted in Canada using, except as discussed in Note 2, the same accounting policies and methods of application as those disclosed in Note 2 to the Company's consolidated financial statements for the year ended December 31, 2001.

These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements included in the Company's 2001 Annual Report.

**2. Accounting Change**

Effective January 1, 2002, the Company adopted the recommendations of the new CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. The section requires that all stock-based awards made to non-employees be measured and recognized using a fair-value based method. The section encourages a fair-value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets.

The Company has adopted the intrinsic value method in accounting for stock options granted to directors and employees. Under this method, compensation costs are not recognized in the financial statements for stock options granted to directors and employees when issued at market value. The section does, however, require the disclosure on a pro forma basis of the impact on operations of using the fair-value based method for stock options granted to directors and employees on or after January 1, 2002. If the fair-value based method had been used, the Company's net loss and net loss per share for the six months ended June 30, 2002 would have been adjusted to the pro-forma amounts indicated below.

	<u>Six months ended</u> <u>June 30, 2002</u>
Net loss – as reported	\$ 210,080
Stock-based compensation expense for the period	<u>50,072</u>
Net loss – pro-forma	<u><u>260,152</u></u>
Basic and diluted net loss per share – as reported	<u>\$ 0.05</u>
Basic and diluted net loss per share – pro-forma	<u>\$ 0.06</u>

The fair value of options granted have been estimated using an option-pricing model with the following assumptions:

- (a) Average risk-free interest rate: 4.8%
- (b) Expected life: 3 years
- (c) Expected volatility: 76%
- (d) Expect dividends: Nil

Under the new accounting standard, the 24,500 options granted to non-employees were value under the fair value method using the same option-pricing model assumptions. A \$5,800 value has been reflected in the quarterly financials under shareholders' equity.

**CHAMPION RESOURCES INC.  
SUPPLEMENTARY INFORMATION  
TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2002  
(In Canadian Dollars)  
(Unaudited)**

**1. FOR THE CURRENT FISCAL YEAR-TO-DATE**

(a) MINING PROPERTIES AND RELATED EXPENDITURES

Reference is made to the unaudited interim consolidated schedule of mineral properties and related expenditures of the accompanying financial statements.

(b) GENERAL AND ADMINISTRATIVE EXPENSES

Reference is made to the unaudited interim consolidated statements of loss and deficit of the accompanying financial statements. Management fees are comprised of the following:

Namdo Management Services Ltd.	\$ 90,000
456658 B.C. Ltd. (Note 2 below)	<u>30,000</u>
	<u>\$ 120,000</u>

**2. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2002, the Company incurred \$30,000 for management services provided by a company related to the President of the Company.

**3. FOR THE QUARTER ENDED JUNE 30, 2002**

(a) On April 2, 2002, the Company issued 1,687,500 shares at a price of \$0.40 per share pursuant to the completion of a private placement.

(b) On May 16, 2002, the Company granted the following incentive options at a price of \$0.45 per share:

	<u>Number of Options</u>	<u>Expiry Date</u>
Officers and directors	190,000	May 15, 2005
Employees	21,500	May 15, 2005
Consultants	<u>24,500</u>	May 15, 2005
	<u>236,000</u>	

**4. AT JUNE 30, 2002**

In January 2002, the Company received regulatory and shareholders approval to consolidate the Company's shares on a one-for-10-basis. All share amounts have been restated to give effect to the consolidation.

- (a) The authorized share capital consists of 100,000,000 common shares without par value, of which 5,362,894 were issued and outstanding.
- (b) The Company has a stock option plan in which 525,000 common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. Options are granted at a price equal to the prevailing market price on the date the option is granted. The number of shares which may be issuable under the plan within a one-year period may not exceed 20% of the outstanding shares and no optionee shall be entitled to a grant of more than 5% of the Company's outstanding issue.

<u>Options</u>	<u>2002</u>	
	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at beginning of period	298,250	\$2.50
Granted	236,000	\$0.45
Cancelled/Expired	<u>(298,250)</u>	<u>\$2.50</u>
Outstanding at end of period	<u>236,000</u>	<u>\$0.45</u>

The options outstanding have an exercise price of \$0.45 per share and expire on May 15, 2005.

- (c) As at June 30, 2002, the following non-transferable share purchase warrants were outstanding:

<u>Number of Warrants</u>	<u>Common Share Entitlement</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
240,000	240,000	\$0.52	December 7, 2002*
1,687,500	1,687,500	\$0.40	April 1, 2003
<u>1,927,500</u>	<u>1,927,500</u>	\$0.50	April 1, 2004

- \* If the closing price of the Company's shares is \$0.63 or greater for a period of 10 consecutive trading days, then the warrant holders will have 30 days to exercise their warrants; otherwise the warrants will expire on the 31<sup>st</sup> day.

## 5. LIST OF DIRECTORS AND OFFICERS AT JUNE 30, 2002:

- (a) Directors:

Adolf H. Lundin  
 Richard J. Bailes  
 Richard Clark  
 Paul Conibear  
 C. Ashley Heppenstall  
 Michael D. McInnis

- (b) Officers:

Adolf H. Lundin, Chairman  
 Rick Clark, President  
 Paul Conibear, Vice President - Operations  
 Sandy Kansky, Corporate Secretary  
 Wanda Lee, Controller/Treasurer