

**CHAMPION RESOURCES INC.
QUARTERLY REVIEW and
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND OPERATING RESULTS
NINE MONTHS ENDED SEPTEMBER 30, 2003
(In Canadian Dollars)**

QUARTERLY REVIEW

Farim Phosphate Deposit

In July 2003, Champion Resources entered into a letter agreement with Geysler Ltd. for the sale of Champion Industrial Minerals Inc. ("CIM") for a cash payment of CDN\$10,550,000. CIM, a subsidiary of Champion, owns the Farim Phosphate Project located in Guinea Bissau.

Geysler, a company based in Dubai, U.A.E., conducted a formal technical and legal due diligence program during May and June, 2003 which concluded successfully as was expressly acknowledged in the Purchase Agreement. Geysler then advanced a \$250,000 down payment against the purchase price, refundable only in the event that the Company did not obtain shareholder and regulatory approval to the sale and purchase. These approvals were received on August 25, 2003 and September 8, 2003, respectively and Geysler was notified. The closing of the purchase and sale was to take place on September 9, 2003. However, in breach of the express provisions of the Purchase Agreement, Geysler has failed to advance the remaining CDN\$10,300,000. Accordingly, the Company has commenced an action against Geysler in the Supreme Court of British Columbia for damages and intends to pursue this matter vigorously.

Champion/ Redback Combination

Subsequent to the quarter under review, the Company signed an agreement with Red Back Mining NL of Australia ("Red Back") to combine the two companies to form Red Back Mining Inc. ("Red Back Mining") and to apply for a listing of Red Back Mining on the Toronto Stock Exchange ("TSX"). Haywood Securities Inc. has agreed to act as Sponsor for the reverse takeover and for a listing of Red Back Mining on the TSX. Completion of the proposed transaction is subject to a number of conditions, including but not limited to, due diligence and shareholder and regulatory approvals.

Red Back is a gold exploration and development company listed on the Australian Stock Exchange with its principal asset being a 95% ownership interest in the Chirano Gold Project in Ghana, West Africa.

The Chirano Gold Project ("Chirano") currently has proven and probable reserves of 16.1 million tonnes grading 2.1 grams per tonne for approximately 1 million ounces of gold. A bankable feasibility study completed by Lycopodium Pty Ltd. of Perth, Australia concludes that at a gold price of US\$325 per ounce, an open pit mining operation at Chirano will produce approximately 930,000 ounces of gold over a mine life of 6.5 years (130,000 ounces per year). Open pit optimization studies show the potential to convert additional resource ounces (8 million tonnes inferred resources) into reserves at current higher gold prices.

Chirano is located 20 kilometres south of the Bibiani gold mine (230,000 ounces per year) owned by Ashanti Goldfields Company Limited. Chirano represents only a small part of Red Back's extensive land holding in Ghana, including the majority of the 200 kilometres of strike length of the Bibiani Shear structure which hosts the Chirano and Bibiani deposits. To date Red Back has only systematically explored 10 kilometres of this structure. Mineralization at Chirano is hosted in a major splay fault off the main Bibiani Shear. Gold lodes are consistently 20-30 metres wide and to date have only been drilled to

depths of 100 - 175 metres. Based upon similar deposit types in Ghana, it is reasonable to expect additional resources at depth.

Red Back's other key asset in Ghana comprises the 360 square kilometre Akyem Gold Project in the prolific Ashanti gold belt. The Akyem Project lies within a few kilometres to the east and north of Newmont Mining Corporation's multi Moz Akyem gold deposit which is rapidly advancing towards a development decision. Red Back has completed a first phase percussion drilling program on its Akyem Project and assays are pending.

The material terms of the Champion / Red Back business combination are as follows:

- ? Champion will arrange a non-brokered private placement financing of CDN\$3 million
- ? Each of Champion and Red Back will complete its respective due diligence by Nov 30, 2003
- ? Under an Australian Scheme of Arrangement Red Back will spin-off its Australian and non-core Ghanaian exploration properties to a new Australian company and Red Back shareholders will receive shares in that new company
- ? Champion will ask its shareholders to approve a consolidation of share capital on a 3:1 basis
- ? Champion will, on a post consolidated and fully diluted basis, issue to Red Back shareholders 1 share of Champion for every 3 shares of Red Back
- ? Champion will change its name to Red Back Mining Inc.
- ? Red Back Mining will apply for and achieve a listing on the TSX on or before March 31, 2004

Corporate

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

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 three and nine months ended September 30, 2003 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, through its subsidiary Champion Industrial Minerals Inc ("CIM"), holds a 100% interest in the Farim Phosphate Project ("Farim") located in Guinea-Bissau, West Africa.

The sale of the Company's interest in the Farim phosphate deposit to Geyser Ltd. did not close as scheduled on September 9, 2003. Accordingly, the Company has commenced an action in the Supreme Court of British Columbia against Geyser for damages.

Subsequent to September 30, 2003, the Company signed an agreement with Red Back Mining NL of Australia ("Red Back") to combine the companies to form Red Back Mining Inc. ("Red Back Mining") and to apply for a listing of Red Back Mining on the Toronto Stock Exchange. Completion of the above transactions is subject to a number of conditions, including but not limited to, due diligence, Exchange acceptance and/or Shareholder approval. The transactions cannot close until the required approvals are obtained.

Results of Operations

The Company's income and loss for the third quarter and nine months ended September 30, 2003 was \$89,000 and \$27,000 respectively, as compared to a loss of \$82,000 and \$292,000 for the third quarter and nine-month period of 2002. This increase in income of \$171,000 for the third quarter of 2003 as compared to year 2002 is primarily due to the down payment, net of expenses, received from Geysler in respect of the sale of CIM as mentioned above.

General and administrative expenses for the third quarter and nine-month period of year 2003 were \$97,000 and \$237,000 respectively. This represented an increase of \$28,000 and a decrease of \$56,000 compared to \$69,000 and \$293,000 for the same comparable periods of 2002. The increase for the third quarter of 2003 is primarily due to an increase in the office and general expenses. Included in the office and general expense for the third quarter of 2003 was \$22,000 in respect office relocation costs. Overall decrease in general and administrative expenses for the nine months period ended September 30, 2003 is mainly due to a decrease in level of activities while the Company sought a partner for the development of Farim. During the third quarter of 2003, the Company realized a gain of \$8,000 from the sale of shares received on settlement of debts owed.

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 September 30, 2003, the Company had working capital of \$142,000.

Subsequent to September 30, 2003, in accordance with the terms of its agreement with Red Back, the Company has agreed to sell on a private placement of 6,000,000 units of the Company at a price of \$0.50 per unit for gross proceeds of \$3,000,000. Each unit comprises one common share and one share purchase warrant. Each warrant shall be exercisable into one common share of the Company over a period of two years at a price of \$0.75. Net proceeds of the private placement will be used for costs of the Red Back/the Company combination and for general working capital purposes. In the event that the Red Back/the Company combination does not close, then the net proceeds will be used for the costs of the combination, future project evaluation and acquisition, the Farim Phosphate Project and general working capital.

Expenditures incurred on the Farim project in Guinea-Bissau during the nine months ended September 30, 2003 were \$126,000 before costs recovery of \$131,000. Farim project expenditures were mainly related to care, maintenance and consulting costs. In addition, included in the Farim project expenditures was \$4,000 of stock-based compensation expenses in respect of stock options granted to a consultant of the Company. Costs recovery related to the settlement and reversal of certain accrued payables.

CHAMPION RESOURCES INC.
INTERIM CONSOLIDATED BALANCE SHEET
(in Canadian Dollars)

	September 30, 2003 (Unaudited)	December 31, 2002 (Audited)
ASSETS		
Current assets		
Cash	\$ 182,699	\$ 73,346
Accounts receivable	7,547	4,623
Prepaid expenses	4,060	6,375
	194,306	84,344
Investment	114,587	30,000
Loan receivable (Note 2)	-	90,000
Mineral properties and related expenditures	6,906,759	6,911,581
Capital assets, net	-	12,056
	\$ 7,215,652	\$ 7,127,981
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 28,715	\$ 339,975
Due to related parties	23,891	76,982
	52,606	416,957
SHAREHOLDERS' EQUITY		
Share capital (Note 3)		
Authorized -		
100,000,000 common shares without par value		
Issued and outstanding -		
6,530,894 (2002 - 5,362,894) common shares	17,388,776	16,913,801
Contributed surplus - stock options	14,933	10,890
Deficit	(10,240,663)	(10,213,667)
	7,163,046	6,711,024
	\$ 7,215,652	\$ 7,127,981

Approved by the Board:

"Richard J. Bales"
Director

"Paul K. Conibear"
Director

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Expenses				
Consulting	\$ 195	\$ -	\$ 715	\$ 12,288
Interest and bank charges	323	91	778	10,126
Management fees	44,982	60,000	136,072	180,000
Office and general	26,333	1,961	35,260	15,302
Professional fees	9,203	1,817	17,987	18,646
Promotion and public relations	414	452	1,838	4,739
Stock exchange and filing fees	1,000	63	12,767	13,917
Transfer agent and shareholder information	7,627	3,847	20,131	18,598
Travel	6,759	480	11,133	19,286
	<u>96,836</u>	<u>68,711</u>	<u>236,681</u>	<u>292,902</u>
Other (income) expense				
Interest income	(1,137)	(237)	(2,075)	(1,170)
Foreign exchange gain	(380)	13,941	(34,973)	763
Forfeited deposit on sale of subsidiary, net	(176,157)	-	(164,956)	-
Gain on sale of investment	(7,681)	-	(7,681)	-
	<u>(185,355)</u>	<u>13,704</u>	<u>(209,685)</u>	<u>(407)</u>
(Income) loss for the period	(88,519)	82,415	26,996	292,495
Deficit, beginning of the period	<u>10,329,182</u>	<u>9,467,803</u>	<u>10,213,667</u>	<u>9,257,723</u>
Deficit, end of the period	<u>\$ 10,240,663</u>	<u>\$ 9,550,218</u>	<u>\$ 10,240,663</u>	<u>\$ 9,550,218</u>
Basic and diluted (income) loss per common share	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.06</u>
Weighted average number of shares outstanding	<u>6,049,561</u>	<u>4,819,061</u>	<u>5,854,718</u>	<u>4,819,061</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Cash flows (used in) operating activities				
Income (loss) for the period	\$ 88,519	\$ (82,415)	\$ (26,996)	\$ (292,495)
Item not affecting cash				
Gain on sale of investment	(7,681)	-	(7,681)	-
	<u>80,838</u>	<u>(82,415)</u>	<u>(34,677)</u>	<u>(292,495)</u>
Net changes in non-cash working capital items				
Accounts receivable and other current assets	12,301	960	(609)	6,801
Accounts payable and accrued liabilities	(123,508)	2,667	(180,197)	(46,359)
Due to related party	8,218	5,466	(53,091)	(210,406)
	<u>(22,151)</u>	<u>(73,322)</u>	<u>(268,574)</u>	<u>(542,459)</u>
Cash flows (used in) investing activities				
Mineral properties and related expenditures	(24,918)	(19,769)	(110,142)	(122,712)
Proceeds from sale of investment	13,094	-	13,094	-
	<u>(11,824)</u>	<u>(19,769)</u>	<u>(97,048)</u>	<u>(122,712)</u>
Cash flows from financing activities				
Common shares issued, net	67,975	-	474,975	675,000
Increase (decrease) in cash	34,000	(93,091)	109,353	9,829
Cash, beginning of period	148,699	191,961	73,346	89,041
Cash, end of period	<u>\$ 182,699</u>	<u>\$ 98,870</u>	<u>\$ 182,699</u>	<u>\$ 98,870</u>
Supplementary information regarding non-cash transactions				
Investing and financing activities				
Mineral property expenditures recovery on settlement of accounts payable	\$ -	\$ -	\$ 131,063	\$ -
Mineral property expenditures by way of stock options	\$ -	\$ 5,800	\$ -	\$ 5,800
Loan receivable exchanged for investment	\$ 90,000	\$ 30,000	\$ 90,000	\$ 30,000
Other supplementary information:				
Amortization of mining assets	\$ 12,056	\$ -	\$ 12,056	\$ -

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

	Nine months ended September 30, 2003	Nine months ended September 30, 2002
	<u> </u>	<u> </u>
Farim Project, Guinea Bissau (West Africa)		
Acquisition, leases and taxes	\$ 42,533	\$ 39,427
Amortization	12,056	40,610
Geological	10,659	5,800
Office and administration	9,251	19,194
Offshore management and contractors	35,263	-
Stock based compensation expense	4,043	-
Transportation and travel	12,436	14,084
Incurring during the period	<u>126,241</u>	<u>119,115</u>
Cost recovery	(131,063)	-
	<u>(4,822)</u>	<u>119,115</u>
Balance - beginning of period	<u>6,739,417</u>	<u>6,597,596</u>
Balance - end of period	<u>6,734,595</u>	<u>6,716,711</u>
Guinea Bissau Reconnaissance (West Africa)		
General reconnaissance		
Beginning and end of period	<u>-</u>	<u>561,758</u>
Diamond reconnaissance		
Geological	-	8,385
Maps	-	1,012
Incurring during the period	<u>-</u>	<u>9,397</u>
Balance - beginning of period	<u>172,164</u>	<u>162,768</u>
Balance - end of period	<u>172,164</u>	<u>172,165</u>
Total	<u>\$ 6,906,759</u>	<u>\$ 7,450,634</u>

CHAMPION RESOURCES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003
(Unaudited)

1. Basis of Presentation

The unaudited interim consolidated financial statements of Champion Resources Inc. (the "Company") are prepared in accordance with accounting principles generally accepted in Canada using 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, 2002.

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 2002 Annual Report.

2. Loan Receivable

The Company had two non-interest bearing loan payments due from TNR Resources Ltd. ("TNR") with respect to a joint venture interest on certain claims located in Northwest Guyana. The payments were due on July 1, 2003 and July 1, 2004 in the amounts of \$40,000 and \$50,000 respectively. TNR has elected to pay each loan payment by issuing shares in the capital stock of TNR at market price less 25%. Accordingly, the Company received 181,819 shares in respect of the payment due on July 1, 2003 and 227,273 shares in respect of the payment due on July 1, 2004. The shares received in respect of the payment due on July 1, 2004 are subject to hold period expiring January 19, 2004.

3. Share Capital

The authorized and issued share capital is as follows:

Authorized:

100,000,000 common shares without par value

	Number of Shares	Amount
Shares Issued and Outstanding:		
Balance, December 31, 2002	5,362,894	\$ 16,913,801
Private placement, net	1,030,000	407,000
Warrants exercise	117,500	58,750
Stock options exercise	20,500	9,225
Balance, September 30, 2003	<u>6,530,894</u>	<u>\$ 17,388,776</u>

4. Litigation

In July 2003, the Company entered into a letter agreement with Geysler Ltd. ("Geysler"), a company based in Dubai, U.A.E. for the sale of Champion Industrial Minerals Inc ("CIM") for a cash payment of \$10,550,000. Geysler advanced a \$250,000 down payment against the purchase price, refundable only in the event that the Company did not obtain shareholder and regulatory approval to the sale and purchase. These approvals were received on August 25, 2003 and September 8, 2003, respectively and Geysler was notified. The closing of the purchase and sale was to take place on September 9, 2003. In breach of the express provisions of the Purchase Agreement, Geysler has failed to advance the remaining \$10,300,000. The Company has commenced an action in the Supreme Court of British Columbia against Geysler for its failure to complete the purchase of CIM. The Company is seeking damages from Geysler for its failure to fulfill its obligations under the Purchase Agreement and intends to pursue this matter vigorously.

5. Subsequent Events

Subsequent to September 30, 2003, the Company:

- (a) signed an agreement with Red Back Mining NL of Australia ("Red Back") to combine the companies to form Red Back Mining Inc. ("Red Back Mining") and to apply for a listing of Red Back Mining on the Toronto Stock Exchange ("TSX"). The material terms of the business combination are as follows:

- ? the Company will arrange a non-brokered private placement financing of \$3 million
- ? each of the Company and Red Back will complete its respective due diligence by November 30, 2003
- ? under an Australian Scheme of Arrangement Red Back will spin-off its Australian and non-core Ghanaian exploration properties to a new Australian company and Red Back shareholders will receive shares in that new company
- ? the Company will ask its shareholders to approve a consolidation of share capital on a 3:1 basis
- ? the Company will, on a post consolidated and fully diluted basis, issue to Red Back shareholders 1 share of the Company for every 3 shares of Red Back
- ? the Company will change its name to Red Back Mining Inc.
- ? Red Back Mining will apply for and achieve a listing on the TSX on or before March 31, 2004

Completion of the above transactions is subject to a number of conditions, including but not limited to, due diligence, Exchange acceptance and/or Shareholder approval. The transactions cannot close until the required approvals are obtained.

- (b) in accordance with the terms of its agreement with Red Back, the Company has agreed to sell on a private placement of 6,000,000 units of the Company at a price of \$0.50 per unit for gross proceeds of \$3,000,000. Each unit comprises one common share and one share purchase warrant. Each warrant shall be exercisable into one common share of the Company over a period of two years at a price of \$0.75. Net proceeds of the private placement will be used for costs of the Red Back/the Company combination and for general working capital purposes. In the event that the Red Back/the Company combination does not close, then the net proceeds will be used for the costs of the combination, future project evaluation and acquisition, the Farim Phosphate Project and general working capital.

CHAMPION RESOURCES INC.
SUPPLEMENTARY INFORMATION
TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003
(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)	45,000
Other	<u>1,072</u>
	<u>\$ 136,072</u>

2. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2003, the Company incurred \$45,000 for management services provided by a company related to the President of the Company. In addition, the Company incurred office relocation costs of \$22,000 due to this corporation, which have been included in office and general for the quarter ended September 30, 2003.

3. FOR THE QUARTER ENDED SEPTEMBER 30, 2003

(a) The following shares were issued:

Stock options exercise at \$0.45 per share:

<u>Date</u>	<u>No. of Share</u>	<u>Gross Proceeds</u>
August 5, 2003	3,000	\$1,350
August 19, 2003	16,000	7,200
August 26, 2003	<u>1,500</u>	<u>675</u>
	<u>20,500</u>	<u>\$9,225</u>

Warrants exercise at \$0.50 per share

<u>Date</u>	<u>No. of Share</u>	<u>Gross Proceeds</u>
July 4, 2003	67,500	\$33,750
August 14, 2003	<u>50,000</u>	<u>25,000</u>
	<u>117,500</u>	<u>\$58,750</u>

(b) No incentive stock options were granted during the quarter ended September 30, 2003.

4. AT SEPTEMBER 30, 2003

- (a) The authorized share capital consists of 100,000,000 common shares without par value, of which 6,530,894 were issued and outstanding.
- (b) The Company has a stock option plan (the "Plan") in which 600,000 common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. The number of common shares reserved under the Plan was based on 10% of the currently issued and outstanding share capital of the Company. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed 10 years from the date of grant. No optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

Incentive stock options outstanding at September 30, 2003 are as follows:

<u>Options</u>	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at December 31, 2002	266,000	\$0.45
Granted	20,000	\$0.47
Exercise	(20,500)	\$0.45
Cancelled/Expired	<u>(1,000)</u>	<u>\$0.45</u>
Outstanding at September 30, 2003	<u>264,500</u>	<u>\$0.45</u>

The options outstanding have an exercise price of \$0.45 and \$0.47 per share and expire on May 15, 2005 and March 9, 2005.

The fair value of options granted during the nine months ended September 30, 2003 have been estimated using an option-pricing model with the following weighted average assumptions:

- (i) Average risk-free interest rate: 3.57%
(ii) Expected life: 2 years
(iii) Expected volatility: 76%
(iv) Expected dividends: Nil

A \$4,043 value has been reflected in these financial statements under shareholder's equity in respect of the 20,000 option granted to non-employees during the nine months ended September 30, 2003.

- (c) As at September 30, 2003, 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>
1,570,000	1,570,000	\$0.50	April 1, 2004
1,030,000	1,030,000	\$0.40	May 8, 2004
<u>2,600,000</u>	<u>2,600,000</u>	\$0.50	May 8, 2005

5. LIST OF DIRECTORS AND OFFICERS AT SEPTEMBER 30, 2003:

(a) Directors:

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

(b) Officers:

Rick Clark, President
Paul Conibear, Vice President – Operations
Wanda Lee, Controller/Treasurer
Sandy Kansky, Corporate Secretary