CHAMPION RESOURCES INC.
ANNUAL REPORT TO SHAREHOLDERS
For the Period Ended December 31, 2002

The Board of Directors is pleased to present the following report to shareholders on the activities of the Company during fiscal 2002 and its plans for the coming year.

Farim Phosphate Deposit

Farim is a world class phosphate deposit located in Guinea Bissau on the coast of West Africa. Resources at Farim exceed 166 million tonnes grading 29.1% P_2O_5, including 37 million tonnes grading 31% P_2O_5 scheduled for the first 15 years of mine life. Processed rock concentrate will grade 33% P_2O_5 with high recoveries, low CaO/P_2O_5 ratios and low quantities of deliterious elements such as cadmium. Significantly, deposit characteristics are also amenable for production of a higher grade (36% P_2O_5) product. With these reserves and grades and strategic transport location, Farim represents a unique opportunity for competitive growth in the phosphate business.

During the year, the Company delivered sample of Farim ore to an established international phosphate producer who ran pilot scale testwork using standard Prayon technology to produce phosphoric acid. The test results met or exceeded expectations, with the resulting acid product being low in impurities and favourable in other technical regards. This successful testing led to preliminary discussions between the Company, a large North American mining company, and the phosphate producer with the objective of forming a consortium to develop the Farim project. Complementing this initiative, and in recognition of the large North American fertilizer industry, the Company extended discussions to include a large American fertilizer producer. This U.S. company is currently performing independent check test work on the Farim ore to confirm its level of offtake interest.

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 development agreement with industry partners.

Diamond Exploration

The Company had previously carried out a regional heavy mineral sampling program to test for diamond potential in Guinea Bissau. The results were encouraging, however additional work is required to locate the kimberlite source rocks and to determine if any identified kimberlites are diamond bearing. No further exploration work was carried out in 2002. Future work programs are under review.

Administrative

Subsequent to year end, the Company negotiated the private placement of up to 1,030,000 units at a price of $0.40 per unit for gross proceeds of $412,000. Closing of the placement is expected to take place within the next few weeks, subject to regulatory approvals.

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

Looking Forward

Champion is optimistic about the long-term prospects of the Farim phosphate deposit and will continue to seek a development partnership. The Company also continues to review other projects in the resource sector for possible acquisition.

On Behalf of the Board,

(signed) Richard P. Clark
President

April 29, 2003

CHAMPION RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND OPERATING RESULTS
(In Canadian Dollars)
DECEMBER 31, 2002 AND 2001

The following discussion and analysis of the financial condition and results of operations for Champion Resources Inc. should be read in conjunction with the consolidated financial statements for the years ended December 31, 2002 and 2001 and related notes therein.

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 one-for-10-basis. Accordingly, all share amounts have been restated to give effect to the consolidation.

Results of Operations

The Company's loss for the year ended December 31, 2002 was $956,000 as compared to a loss of $516,000 for the year ended December 31, 2001. This increase in loss of $440,000 is primarily due to the write-off of $562,000 in expenditures relating to the Guinea Bissau reconnaissance program. Management has determined there is no reasonable expectation of recovery of these costs.

General and administrative expenses for the years ended December 31, 2002 and 2001 were $393,000 and $514,000 respectively, a decrease of $121,000. This decrease is mainly due to a decrease in level of activities as the Company continues to seek a joint venture partner for the development of Farim. In particular, management fees have decreased by $25,000 from $255,000 to $230,000 as a result of a decrease in management fees to a company related to the President of the Company and a management services company. Professional fees have also decreased by $37,000 from $74,000 to $37,000. Consulting fees and promotion and public relations expenses have decreased by $16,000 and $16,000, respectively, to $12,000 and $8,000. There were no financing advisory fees for 2002 as compared to $7,000 for 2001. Interest and bank charges have increased by $7,000 to $10,000 from $3,000 in 2001. This increase is mainly due to accrued interest in respect of loan advances from the Chairman of the Company. These loans were repaid during 2002. In addition, included in general and administrative expenses for 2002, was $5,090 of stock based compensation expenses in relation to options granted to non-employees of the Company.

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 December 31, 2002, the Company had a working capital deficit of $333,000. During 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 will be exercisable over a two-year period at a price of $0.40 in the first year and $0.50 in the second year.

Subsequent to December 31, 2002, the Company has agreed to sell on a private placement basis up to an aggregate of 1,030,000 units of the Company at a price of $0.40 per unit for gross process of $412,000. 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 $0.40 the first year and $0.50 the second year. The private placement is subject to regulatory approval.

Expenditures incurred on the Farim project and the regional diamond reconnaissance in Guinea-Bissau during the year ended December 31, 2002 were $142,000 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 they can be obtained on terms satisfactory to the Company.

Risks

The Company’s properties are subject to sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company’s activities or may result in the impairment or loss of part or all of the Company’s interest in the properties.

Outlook

Should additional funds be required for general working purposes and to fund the development of the Farim project, the Company intends to raise funds through possible equity financing, seek joint venture partners and/or project debt financing.

Quarterly Information

Financial Data for 8 Quarters								
Three Months Ended	**Dec-02**	**Sep-02**	**Jun-02**	**Mar-02**	**Dec-01**	**Sep-01**	**Jun-01**	**Mar-01**
A. Total revenues ($000's)	1	0	1	0	0	1	1	1
B. Earnings (loss) before extraordinary items ($000's)	(664)	(82)	(81)	(129)	(127)	(60)	(131)	(198)
C. Earning (loss) per share ($)	(0.11)	(0.02)	(0.02)	(0.04)	(0.04)	(0.02)	(0.04)	(0.06)
D. Net earnings (loss) ($000's)	(664)	(82)	(81)	(129)	(127)	(60)	(131)	(198)

AUDITORS' REPORT

To the Shareholders of Champion Resources Inc.:

We have audited the consolidated balance sheets of Champion Resources Inc. as at December 31, 2002 and 2001 and the consolidated statements of loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied, after giving effect to the change in the method of accounting for stock-based compensation, as explained in note 2(h) to the consolidated financial statements, on a basis consistent with that of the preceding year.

Surrey, BC
February 12, 2003
except as to Notes 4(b) and 11(b), which are as at
April 17, 2002

"STALEY, OKADA & PARTNERS"
CHARTERED ACCOUNTANTS

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

	December 31, 2002	December 31, 2001
ASSETS		
Current assets		
Cash	$ 73,346	$ 89,041
Accounts receivable	4,623	11,274
Prepaid expenses	6,375	-
	84,344	100,315
Investment (Note 3)	30,000	20,000
Loan receivable (Note 4 (c))	90,000	120,000
Mineral properties and related expenditures (Note 4)	6,911,581	7,322,122
Capital assets, net (Note 5)	12,056	27,489
	$ 7,127,981	$ 7,589,926
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 339,975	$ 365,150
Due to related parties (Note 7)	76,982	243,698
	416,957	608,848
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	16,913,801	16,238,801
Contributed surplus - stock options	10,890	-
Deficit	(10,213,667)	(9,257,723)
	6,711,024	6,981,078
Continued operations (Note 1)		
Contingencies and commitments (Note 10)		
Subsequent events (Note 11)		
	$ 7,127,981	$ 7,589,926

Approved by the Board:

"Richard P. Clark"
Director

"Richard J. Bailes"
Director

See accompanying notes to consolidated financial statements

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

	Year ended December 31, 2002	Year ended December 31, 2001
Expenses		
Amortization	$ 1,283	$ 2,151
Capital tax	-	(4,586)
Consulting	12,288	27,938
Financing and advisory fees	-	6,875
Foreign exchange loss	(598)	32,638
General exploration	-	6,378
Interest and bank charges	10,242	3,169
Management fees	229,712	254,646
Office and general	17,125	27,077
Professional fees	37,328	74,013
Promotion and public relations	8,150	24,028
Stock based compensation expense	5,090	-
Stock exchange and filing fees	13,817	8,243
Transfer agent and shareholder information	19,262	17,925
Travel	38,996	27,012
Wages and benefits	-	6,137
	392,695	513,644
Interest income	(1,964)	(2,350)
Loss before the undernoted	390,731	511,294
Write-off of mineral property interest (Note 4(b))	561,758	-
Loss on sale of investment	3,455	-
Loss on disposal of capital asset	-	4,240
Loss for the year	955,944	515,534
Deficit, beginning of the year	9,257,723	8,742,189
Deficit, end of the year	$ 10,213,667	$ 9,257,723
Basic and diluted loss per share	$ 0.19	$ 0.14
Weighted average number of shares outstanding	4,955,019	3,562,061

See accompanying notes to consolidated financial statements

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

	Year ended December 31, 2002	Year ended December 31, 2001
Cash flows (for) operating activities		
Loss for the year	$ (955,944)	$ (515,534)
Items not affecting cash		
Amortization	1,283	2,151
Write-off of mineral property interest	561,758	-
Loss on sale of investment	3,455	-
Loss on sale of capital assets	-	4,240
Stock based compensation expense	5,090	-
	(384,358)	(509,143)
Net changes in non-cash working capital items		
Accounts receivable and other current assets	276	55,492
Accounts payable and accrued liabilities	(25,175)	(84,388)
Due to related party	(166,716)	147,770
	(575,973)	(390,269)
Cash flows (for) investing activities		
Mineral properties and related expenditures	(131,267)	(418,781)
Proceeds from sale of investment	16,545	-
Proceeds from sale of capital assets	-	980
	(114,722)	(417,801)
Cash flows from financing activities		
Common shares issued	675,000	624,000
Decrease in cash	(15,695)	(184,070)
Cash, beginning of year	89,041	273,111
Cash, end of year	$ 73,346	$ 89,041
Supplementary information regarding non-cash transactions		
Investing and financing activities		
Mineral property expenditures by way of stock options	$ 5,800	$ -
Loan receivable exchanged for investment	$ 30,000	$ 20,000
Other supplementary information:		
Amortization of mining assets	$ 14,150	$ 13,959

See accompanying notes to consolidated financial statements

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

	Year ended December 31, 2002	Year ended December 31, 2001
Farim Project, Guinea Bissau (West Africa)		
Acquisition, leases and taxes	$ 39,420	$ 11,212
Offshore management and contractors	54,336	231,167
Stock based compensation expense (Note 6(b))	5,800	-
Office and administration	14,033	12,932
Amortization	14,150	13,959
Camp and general	-	3,136
Geological and geochemical	-	34,266
Transportation and travel	14,082	1,386
Incurred during the year	141,821	308,058
Balance - beginning of year	6,597,596	6,289,538
Balance - end of year	6,739,417	6,597,596
Guinea Bissau Reconnaissance (West Africa)		
General reconnaissance		
Balance - beginning of year	561,758	561,758
Write-off of mineral property interest	(561,758)	-
Balance - end of year	-	561,758
Diamond reconnaissance		
Assaying and sampling		70,997
Geological and geochemical	8,385	28,248
Maps	1,011	-
Transportation and travel	-	25,437
Incurred during the year	9,396	124,682
Balance - beginning of year	162,768	38,086
Balance - end of year	172,164	162,768
Total	$ 6,911,581	$ 7,322,122

See accompanying notes to consolidated financial statements

CHAMPION RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(in Canadian Dollars)

1. Nature of Operations and Going Concern Basis of Presentation

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.

The recoverability of the costs of mineral properties and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the project, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material reductions in the carrying amount of mineral properties and related capital assets.

The mineral properties are also subject to sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities or may result in the impairment or loss of part or all of the Company's interest in the properties.

The viability of the projects and the ability for the Company to continue as a going concern are dependent on future financing. If financing is not achieved, the Company may not be able to meet its obligations as they become due. These financial statements have been prepared on the going concern basis that assumes continuity of operations and realization and settlement of liabilities in the normal course of business. A different basis of measurement may be appropriate if the going concern assumption does not prevail.

2. Significant Accounting Policies

(a) Basis of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Champion Resources (U.S.) Inc., Minera Champion S.A. de C.V. (a Mexican company), Champion Resources (Barbados) Inc., Champion Industrial Minerals Inc. ("Champion Industrial") (a Barbados company) and Champion Industrial Minerals S.A. (Proprietary) Limited (a South African company). The purchase method of accounting is used to consolidate these subsidiaries. All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Fair Value of Financial Instruments

The company's financial instruments consist of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, and due to/from related parties. The fair value of these financial instruments approximates their carrying values, due to their short-term maturity or capacity of prompt liquidation. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments.

(c) Mineral Properties and Related Expenditures

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Direct mineral exploration and development costs are capitalized on an individual project basis until such time as an economic ore body is defined, a joint venture is formed or the project is abandoned. Costs for a producing project are amortized on a unit-of-production method based on the estimated life of the ore reserves while costs for properties abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral properties, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. The company has investigated title to all of its mineral properties and, to the best of its knowledge, all of its properties are in good standing.

(d) Capital Assets

The Company provides for amortization of its capital assets as follows:

(i) Computer equipment - 30% declining-balance method
(ii) Vehicles - 20% straight-line method

One-half of the normal rate is applied in the year of acquisition.

(e) Foreign Currency Translation

The accounts of the Company's foreign operations are translated into Canadian dollars on the following basis:

(i) Income and expense items and exploration and development costs are translated in a manner that produces substantially the same results as would have resulted had these items been translated on the date they occurred.

(ii) Non-monetary assets and liabilities at historical exchange rates.

(iii) Monetary assets and liabilities (assets and liabilities whose nominal value, in terms of foreign currencies, are fixed) at the exchange rate at year-end.

Exchange gains and losses relating to the translation of foreign currency denominated monetary items, that have a fixed life extending beyond year-end, are deferred and amortized over the life of the subject monetary items. All other exchange gains and losses are treated as current period items.

(f) (Earnings) Loss Per Share

Basic (earnings) loss per share is calculated using the weighted average number of common shares outstanding during the year. For calculated diluted earnings per share, the treasury stock method is used for the purposes of determining the common share equivalents with respect to outstanding stock options and warrants to be included in the weighted average number of common shares outstanding, if dilutive.

(g) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the Company.

(h) Stock-Based Compensation

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants 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 directors, officers and 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.

For stock options granted to directors, officers and employees, the Company has adopted the disclosure-only provisions of the new standard whereby pro-forma net income (loss) and pro-forma earnings (loss) per share are disclosed in note 6(b) to the financial statements, as if the fair value based method of accounting had been used.

(i) Use of Estimates

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

(j) Environmental Expenditures

The operations of the company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's philosophy and resultant policy is to conduct its exploration and development activities in an environmentally responsible manner. Specifically, the company's policy is to meet or surpass the environmental requirements established to satisfy international standards and guidelines, by application of technically proven and economically feasible mitigation and reclamation procedures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

(k) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

3. Investment

	December 31, 2002	December 31, 2001
TNR Resources Ltd. – 230,000 common shares with a market value at December 31, 2002 of approximately $52,900 (Note 4(c))	$ 30,000	$ 20,000

4. Mineral properties and related expenditures

	Acquisition	Exploration	December 31, 2002	December 31, 2001
Mineral Properties				
Farim Project, Guinea Bissau, West Africa	$ 228,113	$ 6,511,304	$ 6,739,417	$ 6,597,596
Guinea Bissau Reconnaissance, West Africa	-	172,164	172,164	724,526
	$ 228,113	$ 6,683,468	$ 6,911,581	$ 7,322,122

(a) Farim Project, Guinea Bissau, West Africa

On October 10, 1999, following completion of the required work program, the Company's Concession of Exploration was converted into a Mining Lease. Subsequent to the enactment of the new Mines and Minerals Act of Guinea Bissau (the "Act") in late 1999, the Company's Mining Lease was converted on May 25, 2000 into four Mining Leases to be in compliance with the size limitations of leases under the new Act. The Mining Leases have a term of twenty-five years and may be renewed for additional twenty-five year periods, for as long as mining continues.

The mining leases cover a total area of 30,625 hectares. The Company is required to pay annual mining lease fees based on the rate of 600 CFA francs per year, per mining hectare, for the first four years or 18,375,000 CFA francs (approximately US$29,000) per year; and 1,200 CFA francs per year, per mining hectare for years five through eight or 36,750,000 CFA francs (approximately US$58,000) per year.

The Company holds a Prospecting Licence from the Government which is valid for a period of two years to May 25, 2004. The Act provides that a Prospecting Licence shall, on application, be renewed for additional two-year terms.

(b) Guinea Bissau Reconnaissance, West Africa

By an agreement dated January 15, 1997, with the Government of the Republic of Guinea Bissau, West Africa, the Company was granted the exclusive right to evaluate and explore the mineral potential (excluding oil and gas and bauxite) in the country for a period of two years which period, but for Force Majeure invoked by the Company, would have expired on January 15, 1999. In consideration for such exclusive rights, the Company was to incur cumulative exploration expenditures of US$460,000 during the two-year period (incurred) and to provide the government with the technical findings of its research. The government has agreed to grant the Company Mining Leases for deposits which the Company locates during the term of the agreement.

Effective June 7, 1998, the Company invoked the force majeure clause of its agreement due to civil and political unrest in the country. The declaration of force majeure had the effect of adjusting time periods and effective dates under the agreement until the lifting of the force majeure. The Company rescinded the notice of force majeure on October 15, 2000, and consequently, was required to complete the two-year reconnaissance project by April 15, 2001. In January 2001, the Company requested and the Government of the Republic of Guinea-Bissau granted a one-year extension of the obligation. In February 2002, a further one-year extension to April 5, 2003 was granted; however, the exclusive rights were restricted solely to diamond deposits. The Company's exclusive right to explore for diamonds in Guinea Bissau expired on April 5, 2003.

Management has determined there is no reasonable expectation of recovery of costs with respect to the Guinea Bissau general reconnaissance program. Accordingly, the Company wrote off its investment in the amount of $561,758 as at December 31, 2002.

(c) Takatu Project, Guyana

The Company had a joint venture interest on the Monosse#1, Tenapu, Sparrock and Gomes claims located in Northwest Guyana. The joint venture agreement provided that the Company (41.82%) and TNR Resources Ltd. ("TNR") (40.18%) carry the remaining joint venture partner (18%) interest to an expenditure limit of $5 million. In addition, the joint venture agreement provided for the Company to loan the first $750,000 of TNR's contributions to the joint venture. The Company expended on TNR's behalf, the sum of $133,192 prior to the termination of the joint venture. Accordingly, the Company has written off all related expenditures in the amount of $2,746,870 to operations in 2000.

By a letter dated August 22, 2000, the Company advised TNR of its election to subscribe for a private placement of a convertible security of TNR in respect of monies advanced as a loan by the Company on behalf of TNR. The parties have agreed that TNR will repay the non-interest bearing loan in the following installments:

Due Date	Amount Due	
July 1, 2001	$ 20,000	*
July 1, 2002	30,000	*
July 1, 2003	40,000	
July 1, 2004	50,000	
	$ 140,000	

TNR has the right to elect to pay each installment of the loan in cash or to issue shares in the capital stock of TNR at the conversion rates as follows:

Installment Date	Conversion Price
July 1, 2001	$0.25
July 1, 2002	Market price less 25%
July 1, 2003	Market price less 25%
July 1, 2004	Market price less 25%

* In July 2002 and 2001, TNR elected to pay the installment amount of $30,000 and $20,000 due on July 1, 2002 and 2001, respectively, by issuing 230,000 and 80,000 shares of its capital stock at the conversion price of $0.13 and $0.25 per share. (Note 3)

5. Capital Assets

	Cost	Accumulated Amortization	December 31, 2002 Net Book Value	December 31, 2001 Net Book Value
Computer equipment	$ 1,925	$ 1,925	$ -	$ 1,283
Vehicles	66,943	54,887	12,056	26,206
	$ 68,868	$ 56,812	$ 12,056	$ 27,489

6. Share Capital

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

(a) The authorized and issued share capital is as follows:

Authorized:

100,000,000 common shares without par value.

Shares Issued:	Number of Shares	Amount
Balance, December 31, 2000	3,363,394	$ 15,614,801
Private placement	312,000	624,000
Balance, December 31, 2001	3,675,394	16,238,801
Private placement (i)	1,687,500	675,000
Balance, December 31, 2002	5,362,894	$ 16,913,801

(i) During 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 will be exercisable over a two-year period at a price of $0.40 in the first year and $0.50 in the second year.

(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.

	2002		2001	
Options	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Outstanding at beginning of year	298,250	$2.50	373,400	$6.40
Granted/Repriced	266,000	$0.45	324,000	$2.50
Exercised	-	-	-	-
Cancelled/Expired	(298,250)	$2.50	(399,150)	$6.20
Outstanding at end of year	266,000	$0.45	298,250	$2.50

In accordance with the policies of the TSX Venture Exchange, option exercise prices, when granted, reflect current trading values of the Company's shares and all options are subject to a four-month "hold" period from the date of grant.

As at December 31, 2002, the 266,000 options outstanding have an exercise price of $0.45 per share and expire on May 15 and December 11, 2005. All of the outstanding options are exercisable at December 31, 2002.

If the fair-value method had been used to account for options granted to directors, officers and employees, the Company's loss and loss per share for the year ended December 31, 2002 would have been adjusted to the pro-forma amounts indicated below (Note 2(h)).

		Twelve months ended December 31, 2002
Loss – as reported	$	955,944
Additional stock-based compensation expense		52,084
Loss – pro-forma		1,008,028
Basic and diluted loss per share – as reported	$	0.19
Basic and diluted loss per share – pro-forma	$	0.20

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

(i)	Average risk-free interest rate:	4.8%
(ii)	Expected life:	3 years
(iii)	Expected volatility:	76%
(iv)	Expected dividends:	Nil

Under the new accounting standard, the 46,000 options granted to non-employees during the year ended December 31, 2002 were valued under the fair value method using the same option-pricing model assumptions. A $10,890 value has been reflected in these financial statements under shareholders' equity.

(c) As at December 31, 2002, the following non-transferable share purchase warrants were outstanding:

Number of Warrants	Common Share Entitlement	Exercise Price	Expiry Date
1,687,500	1,687,500	$ 0.40	April 1, 2003
		$ 0.50	April 1, 2004

7. Related Party Transactions

During 2002, the Company:

(a) Paid/accrued $60,000 (2001 - $70,000) for management services provided by a company related to the President of the Company. At December 31, 2002, $48,150 (2001 - $10,700) was due to this company and included in amounts due to related parties.

(b) Paid/accrued $18,590 (2001 - $38,500) to directors and companies controlled by directors and officers for geological consulting fees. At December 31, 2002, $1,986 (2001 - $9,915) was due to these parties and included in amounts due to related parties.

(c) Paid/accrued $9,315 (2001 - $29,530) to a company of which a director is an officer and director for reimbursement of consulting services. At December 31, 2002, $1,080 (2001 - $675) was due to this company and included in amounts due to related parties.

(d) Received advances totalling $75,000 (2001-$200,000) from the Chairman of the Company. These advances were repaid during 2002 with interest at 8% totalling $9,446.

In addition, directors and officers participated in a private placement of 1,687,500 shares at $0.40 per share during 2001. A total of 677,500 shares were purchased by such directors and officers.

8. Income Taxes

(a) The company has income tax losses carried forward of approximately $2,565,000 available to reduce future taxable income in Canada. The income tax benefits, if any, of these losses has not been recognized in the accounts and expire as follows:

2005	$ 269,000
2006	681,000
2007	823,000
2008	426,000
2009	366,000
	$2,565,000

(b) The company has accumulated deferred resource property expenditures of approximately $4,800,000 which may be used to reduce future taxable income in Canada. The income tax benefits, if any, of these deferred resource property costs have not been recorded in these financial statements.

9. Segmented Information

The company's only business activity is the exploration for and development of mineral reserves. This activity is carried out primarily in Guinea Bissau. The breakdown by geographic region is as follows:

	Canada	Guinea Bissau	Other	Elimination	Consolidated
December 31, 2002 Segment revenue	$ 1,964	$ -	$ -	$ -	$ 1,964
Segment operating Income (loss)	$ (934,923)	$ -	$ (21,021)	$ -	$ (955,944)
Identifiable assets	$ 196,381	$ 8,083,306	$ 7,963	$(1,159,669)	$ 7,127,981

	Canada	Guinea Bissau	Other	Elimination	Consolidated
December 31, 2001 Segment revenue	$ 2,201	$ -	$ 149	$ -	$ 2,350
Segment operating Income (loss)	$ (432,156)	$ -	$ (83,378)	$ -	$ (515,534)
Identifiable assets	$ 1,737,024	$ 8,507,997	$ 4,074	$(2,659,169)	$ 7,589,926

10. Contingencies and commitments

(a) By an agreement dated June 28, 2001 (the “Agency Agreement”), the Company acknowledged and restated a commitment to Caribbean Minerals & Development Company Limited (“Caribbean”) in respect of previous services provided by Caribbean to the Company in sourcing potential financing to place the Farim Project into commercial production. Under the term of the Agency Agreement, Caribbean will be entitled to receive a fee of 4% of a financing transaction as defined in the Agency Agreement, arranged by or through Triennex (Pty) Ltd., and share purchase warrants to purchase up to 2,500,000 shares of the Company at a price of $0.50 per share over a two year period, provided such financing transaction is accepted by the Company and closes within 2 years from the date of the Agency Agreement. The Agency Agreement will terminate in June 2003 in the event a financing transaction is not concluded before then. Given the prevailing market conditions and the equity consideration payable by the Company under the Agency Agreement, it is extremely unlikely that a financing transaction acceptable to the Company will be concluded within the remaining term of the Agency Agreement.

A director and shareholder of Caribbean is also a director of a subsidiary of the Company.

(b) On June 14, 1999, Champion Industrial signed an agreement for non-exclusive marketing and arranging of the sale of Farim phosphate rock product with a US based group. This commitment was focused on leveraging that group's apparent relationship with one specific large fertilizer producer. The commercial arrangement was a marketing fee of 2% of the gross sales price of each shipment sold as a direct result of arrangements made by this group. Since no tangible progress was made by this group in securing product off-take as originally intended, the Company issued a letter dated May 9, 2001 terminating the agreement.

(c) By an agreement effective October 10, 2000, the Company retained the services of CIBC Investment Banking (“CIBC”) to advise and assist the Company in the process of securing a strategic partner or investor in India/Middle East who will invest as equity, quasi-equity, subordinate and/or convertible debt a minimum of US$5 million in the Company’s Farim Project in West Africa.

The Company terminated the agreement with CIBC effective November 14, 2001. All obligations of the Company under the agreement are extinguished.

(d) The Company’s Mexican subsidiary has been advised that certain mining duties may remain payable with respect to the El Rubi property in the approximate amount of US$55,000. No accrual has been recorded as management is of the view that the Mexican claim for the payment of these duties is unsupportable. Any attempt to collect these duties will be defended vigorously by the Company.

11. Subsequent Events

Subsequent to December 31, 2002, the Company:

(a) entered into an agreement with OREM Inc. (“OREM”) which provides project financing and/or an operating partner to bring the Farim Project into production. OREM has knowledge of a company that may be interested in providing project financing and/or becoming an operating partner in connection with the Farim Project (the “Proposed Financier”). OREM will be paid a finder’s fee (the “Finder’s Fee”) as follows:

(i) CDN$5,000 shall be paid forthwith upon the Company receiving from the Proposed Financier a written undertaking, on a best efforts basis, to provide project financing or to become an operating partner on the Farim Project (the "Letter of Intent"); and

(ii) 100,000 common shares issuable at the time of closing of a formal, binding and enforceable agreement with the Proposed Financier whereby it agrees to provide project financing or to become an operating partner of the Company in respect of the Farm Project (the "Agreement").

The Company may terminate the Agreement at any time upon notice to OREM, provided that if the Company enters into a Letter of Intent or an Agreement with the Proposed Financier within 12 months after termination, then the Company will pay that portion of the Finder's Fee property payable to OREM.

This Finder's Fee agreement is subject to the approval of the TSX Venture Exchange. In addition, the shares of the Company to be issued in accordance to the terms of this agreement will be subject to a hold period as required by applicable securities legislation.

(b) agreed to sell on a private placement basis up to an aggregate of 1,030,000 units of the Company at a price of $0.40 per unit for gross process of $412,000. 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 $0.40 the first year and $0.50 the second year. The private placement is subject to regulatory approval.

SCHEDULE B

CHAMPION RESOURCES INC.
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2002

1 FOR THE CURRENT FISCAL YEAR-TO-DATE:

a) MINING PROPERTIES AND RELATED EXPENDITURES

Reference is made to the consolidated schedules of mineral properties and related expenditures of the accompanying audited financial statements.

b) GENERAL AND ADMINISTRATIVE EXPENSES

Reference is made to the consolidated statements of loss and deficit of the accompanying audited financial statements.

c) RELATED PARTY TRANSACTIONS

See Note 7 of the accompanying audited financial statements.

2 FOR THE YEAR ENDED DECEMBER 31, 2002:

a) OPTIONS

See Note 6 of the accompanying audited financial statements.

3 CAPITAL STOCK

a) Authorized capital and summary of shares issued and outstanding:

See Note 6 of the accompanying audited financial statements.

b) Summary of options, warrants and convertible securities outstanding

See Note 6 of the accompanying audited financial statements.

c) Total number of shares in escrow:

See Note 6 of the accompanying audited financial statements.

d) List of directors:

See the Corporate Directory attached to the accompanying audited financial statements

CHAMPION RESOURCES INC.
CORPORATE DIRECTORY
DECEMBER 31, 2002

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

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

* Audit Committee

AUDITORS
Staley Okada & Partners
Surrey, British Columbia, Canada

BANKERS
Canadian Imperial Bank of Commerce
Vancouver, British Columbia, Canada

CHAIRMAN'S OFFICE
6 Rue de Rive
Geneva, Switzerland
CH-1211
Telephone: (41-22) 319 6600
Fax: (41-22) 319 6666

CORPORATE OFFICE
Suite 1320 - 885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E8
Telephone: (604) 689-7842
Fax: (604) 689-4250

REGISTERED AND RECORDS OFFICE
Suite 2600
P.O. Box 49314
595 Burrard Street
Vancouver, BC V7X 1L3

SHARE CAPITAL
Authorized: 100,000,000
Issued and Outstanding: 5,362,894 shares

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada
Vancouver, British Columbia and
Toronto, Ontario
Canada

SHARE LISTING
TSX Venture Exchange
Symbol: CHA
CUSIP No.: 15864D104
S.E.C.: 12g3-2(b)
Exemption Number: 82-4286