

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

	<u>September 30, 2002 (Unaudited)</u>	<u>December 31, 2001</u>
ASSETS		
Current assets		
Cash	\$ 98,870	\$ 89,041
Accounts receivable	4,473	11,274
	<u>103,343</u>	<u>100,315</u>
Investment	50,000	20,000
Loan receivable	90,000	120,000
Mineral properties and related expenditures	7,450,634	7,322,122
Capital assets, net	27,489	27,489
	<u>\$ 7,721,466</u>	<u>\$ 7,589,926</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 318,791	\$ 365,150
Due to related parties	33,292	243,698
	<u>352,083</u>	<u>608,848</u>
SHAREHOLDERS' EQUITY		
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	(9,550,218)	(9,257,723)
	<u>7,369,383</u>	<u>6,981,078</u>
	<u>\$ 7,721,466</u>	<u>\$ 7,589,926</u>

Approved by the Board:

"Richard P. Clark"
Director

"Paul K. Conibear"
Director

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Expenses				
Amortization	\$ -	\$ -	\$ -	\$ 1,509
Capital tax	-	-	-	(4,586)
Consulting	-	4,268	12,288	27,613
Financing and advisory fees	-	(40,637)	-	6,875
Foreign exchange loss	13,941	12,173	763	19,762
Interest and bank charges	91	302	10,126	1,239
Management fees	60,000	60,000	180,000	190,000
Office and general	1,961	1,607	13,957	32,633
Professional fees	1,817	(451)	19,641	34,924
Promotion and public relations	452	4,779	5,089	22,830
Stock exchange and filing fees	63	600	13,917	7,984
Transfer agent and shareholder information	3,847	1,582	18,598	11,241
Travel	480	16,023	19,286	29,112
Wages and benefits	-	52	-	6,133
	<u>82,652</u>	<u>60,298</u>	<u>293,665</u>	<u>387,269</u>
Interest income	<u>(237)</u>	<u>(770)</u>	<u>(1,170)</u>	<u>(2,347)</u>
Loss before the undernoted	82,415	59,528	292,495	384,922
Loss on disposal of capital asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,240</u>
Net loss for the period	82,415	59,528	292,495	389,162
Deficit, beginning of the period	<u>9,467,803</u>	<u>9,071,823</u>	<u>9,257,723</u>	<u>8,742,189</u>
Deficit, end of the period	<u>\$ 9,550,218</u>	<u>\$ 9,131,351</u>	<u>\$ 9,550,218</u>	<u>\$ 9,131,351</u>
Basic and diluted loss per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.06</u>	<u>\$ 0.11</u>
Weighted average number of shares	<u>4,819,061</u>	<u>3,535,394</u>	<u>4,819,061</u>	<u>3,535,394</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Cash flows (for) operating activities				
Net loss for the period	\$ (82,415)	\$ (59,528)	\$ (292,495)	\$ (389,162)
Items not affecting cash				
Amortization	-	-	-	1,509
Loss on disposal of capital assets	-	-	-	4,240
	<u>(82,415)</u>	<u>(59,528)</u>	<u>(292,495)</u>	<u>(383,413)</u>
Net changes in non-cash working capital items				
Accounts receivable and other current assets	960	34,759	6,801	60,953
Accounts payable and accrued liabilities	2,667	(61,222)	(46,359)	(91,870)
Due to related party	5,466	(27,517)	(210,406)	(95,928)
	<u>(73,322)</u>	<u>(113,508)</u>	<u>(542,459)</u>	<u>(510,258)</u>
Cash flows (for) investing activities				
Mineral properties and related expenditures	(19,769)	(39,446)	(122,712)	(339,419)
Proceeds from sale of capital assets	-	-	-	980
	<u>(19,769)</u>	<u>(39,446)</u>	<u>(122,712)</u>	<u>(338,439)</u>
Cash flows from financing activities				
Common shares issued	-	-	675,000	624,000
(Decrease) increase in cash	(93,091)	(152,954)	9,829	(224,697)
Cash, beginning of period	191,961	201,368	89,041	273,111
Cash, end of period	<u>\$ 98,870</u>	<u>\$ 48,414</u>	<u>\$ 98,870</u>	<u>\$ 48,414</u>
Supplementary information regarding non-cash transactions				
Investing and financing activities				
Mineral property expenditures by way of stock options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,800</u>	<u>\$ -</u>
Loan receivable exchanged for investment	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>

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

	Nine months ended September 30, 2002	Nine months ended September 30, 2001
	<u> </u>	<u> </u>
Farim Project, Guinea Bissau (West Africa)		
Acquisition, leases and taxes	\$ 39,427	\$ 11,107
Offshore management and contractors	40,610	192,324
Stock based compensation expense	5,800	-
Office and administration	19,194	8,647
Camp and general	-	3,414
Geological and geochemical	-	25,627
Transportation and travel	14,084	760
Incurred during the period	<u>119,115</u>	<u>241,879</u>
Balance - beginning of period	<u>6,597,596</u>	<u>6,289,538</u>
Balance - end of period	<u>6,716,711</u>	<u>6,531,417</u>
Guinea Bissau Reconnaissance (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	1,012	-
Transportation and travel	-	25,437
Incurred during the period	<u>9,397</u>	<u>58,095</u>
Balance - beginning of period	<u>162,768</u>	<u>38,086</u>
Balance - end of period	<u>172,165</u>	<u>96,181</u>
Total	<u>\$ 7,450,634</u>	<u>\$ 7,189,356</u>

CHAMPION RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 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 three and nine months ended September 30, 2002 would have been adjusted to the pro-forma amounts indicated below.

	<u>Three months ended September 30, 2002</u>	<u>Nine months ended September 30, 2002</u>
Net loss – as reported	\$ 82,415	\$ 292,495
Stock-based compensation expense for the period	<u>-</u>	<u>50,072</u>
Net loss – pro-forma	<u>\$ 82,415</u>	<u>\$ 342,567</u>
Basic and diluted loss per share – as reported	<u>\$ 0.02</u>	<u>\$ 0.06</u>
Basic and diluted loss per share – pro-forma	<u>\$ 0.02</u>	<u>\$ 0.07</u>

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

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

Under the new accounting standard, the 24,500 options granted to non-employees during the period ended June 30, 2002 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
SEPTEMBER 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.	\$ 135,000
456658 B.C. Ltd. (Note 2 below)	<u>45,000</u>
	<u>\$ 180,000</u>

2. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2002, the Company incurred \$45,000 for management services provided by a company related to the President of the Company.

3. FOR THE QUARTER ENDED SEPTEMBER 30, 2002

(a) No securities were issued.

(b) No options were granted.

4. AT SEPTEMBER 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>	2002	
	Number of Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2001	298,250	\$2.50
Granted	236,000	\$0.45
Cancelled/Expired	<u>(298,250)</u>	<u>\$2.50</u>
Outstanding at September 30, 2002	<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 September 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 31st day.

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

- (a) Directors:

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

- (b) Officers:

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

CHAMPION RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND OPERATING RESULTS
(In Canadian Dollars)
SEPTEMBER 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 three and nine months ended September 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 one-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 third quarter and nine months ended September 30, 2002 were \$82,000 and \$292,000 respectively, as compared to a net loss of \$60,000 and \$389,000 for the third quarter and nine months of 2001. This increase in net loss for the third quarter as compared to year 2001 is primarily due to an increase in general and administrative expenses.

General and administrative expenses for the third quarter and nine months of year 2002 were \$83,000 and \$294,000 respectively. This represented an increase of \$23,000 for the third quarter and a decrease of \$93,000 as compared to \$60,000 and \$387,000 for the same comparable periods of 2001. Included in the general and administrative expenses for the third quarter of 2001 was a net recovery of \$41,000 relating to a settlement with the CIBC Investment Banking with respect to financing advisory fees. Travel expenses decreased by \$16,000 for the third quarter and \$10,000 for the first nine months of 2002 from 2001. Promotion and public relations expenses have also decreased by \$4,000 and \$18,000, respectively.

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, 2002, the Company had a working capital deficiency of \$249,000.

Expenditures incurred on the Farim project and the regional diamond reconnaissance in Guinea-Bissau during the nine months ended September 30, 2002 were \$119,000 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.

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 continuing discussions with potentially interested parties.

Recent third party testing of the Farim ore has confirmed its highly desirable process characteristics. The Farim ore is very reactive and low in heavy metals, factors important for operating cost and reliability.

Resources at Farim exceed 166 million tonnes grading 29.1% P₂O₅, including 37 million tonnes grading 31% P₂O₅ scheduled for the first 15 years of mine life. Processed rock concentrate will grade 33% P₂O₅ with high recoveries, low CaO/P₂O₅ ratios and low quantities of deleterious elements such as cadmium. Significantly, deposit characteristics are also amenable for production of a higher grade (36% P₂O₅) 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. The results were encouraging but additional work is required to locate the kimberlite source rocks and to determine if any of the kimberlites are diamond-bearing. Further exploration will follow.

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.