

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

	June 30, 2003 (Unaudited)	December 31, 2002 (Audited)
ASSETS		
Current assets		
Cash	\$ 148,699	\$ 73,346
Accounts receivable	4,915	4,623
Prepaid expenses	18,993	6,375
	172,607	84,344
Investment	30,000	30,000
Loan receivable (Note 2)	90,000	90,000
Mineral properties and related expenditures	6,869,785	6,911,581
Capital assets, net	12,056	12,056
	\$ 7,174,448	\$ 7,127,981
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 152,223	\$ 339,975
Due to related parties	15,673	76,982
	167,896	416,957
SHAREHOLDERS' EQUITY		
Share capital (Note 3)		
Authorized -		
100,000,000 common shares without par value		
Issued and outstanding -		
6,392,894 (2002 - 5,362,894) common shares	17,320,801	16,913,801
Contributed surplus - stock options	14,933	10,890
Deficit	(10,329,182)	(10,213,667)
	7,006,552	6,711,024
	\$ 7,174,448	\$ 7,127,981

Approved by the Board:

"Paul K. Conibear"
Director

"Richard J. Bailes"
Director

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

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Expenses				
Consulting	\$ 195	\$ 780	\$ 520	\$ 12,288
Interest and bank charges	216	4,847	455	10,035
Management fees	44,958	60,000	91,090	120,000
Office and general	2,233	5,673	8,927	13,341
Professional fees	4,528	4,135	8,784	16,829
Promotion and public relations	983	2,458	1,424	4,287
Stock exchange and filing fees	7,055	6,298	11,767	13,854
Transfer agent and shareholder information	10,896	6,253	12,504	14,751
Travel	2,215	5,649	4,374	18,806
	<u>73,279</u>	<u>96,093</u>	<u>139,845</u>	<u>224,191</u>
Other (income) expense				
Interest income	(617)	(903)	(938)	(933)
Foreign exchange gain	(12,577)	(13,983)	(34,593)	(13,178)
Sale of Farim	11,201	-	11,201	-
	<u>(1,993)</u>	<u>(14,886)</u>	<u>(24,330)</u>	<u>(14,111)</u>
Loss for the period	71,286	81,207	115,515	210,080
Deficit, beginning of the period	<u>10,257,896</u>	<u>9,386,596</u>	<u>10,213,667</u>	<u>9,257,723</u>
Deficit, end of the period	<u>\$ 10,329,182</u>	<u>\$ 9,467,803</u>	<u>\$ 10,329,182</u>	<u>\$ 9,467,803</u>
Basic and diluted loss per common share	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>
Weighted average number of shares outstanding	<u>5,706,227</u>	<u>4,237,894</u>	<u>5,534,561</u>	<u>4,547,144</u>

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

	<u>Three months ended June 30,</u> <u>2003</u>	<u>2002</u>	<u>Six months ended June 30,</u> <u>2003</u>	<u>2002</u>
Cash flows (used in) operating activities				
Loss for the period	\$ (71,286)	\$ (81,207)	\$ (115,515)	\$ (210,080)
Net changes in non-cash working capital items				
Accounts receivable and other current assets	(19,191)	5,444	(12,910)	5,841
Accounts payable and accrued liabilities	(35,906)	(47,868)	(56,689)	(49,026)
Due to related party	(92,823)	(418,169)	(61,309)	(215,872)
	<u>(219,206)</u>	<u>(541,800)</u>	<u>(246,423)</u>	<u>(469,137)</u>
Cash flows (used in) investing activities				
Mineral properties and related expenditures	<u>(58,056)</u>	<u>(15,352)</u>	<u>(85,224)</u>	<u>(102,943)</u>
Cash flows from financing activities				
Common shares issued, net	<u>407,000</u>	<u>451,000</u>	<u>407,000</u>	<u>675,000</u>
Increase (decrease) in cash	129,738	(106,152)	75,353	102,920
Cash, beginning of period	<u>18,961</u>	<u>298,113</u>	<u>73,346</u>	<u>89,041</u>
Cash, end of period	<u>\$ 148,699</u>	<u>\$ 191,961</u>	<u>\$ 148,699</u>	<u>\$ 191,961</u>
Supplementary information regarding non-cash transactions				
Investing and financing activities				
Mineral property expenditures recovery on settlement of accounts payable	<u>\$ 131,063</u>	<u>\$ -</u>	<u>\$ 131,063</u>	<u>\$ -</u>
Mineral property expenditures by way of stock options	<u>\$ -</u>	<u>\$ 5,800</u>	<u>\$ 4,043</u>	<u>\$ 5,800</u>

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

	Six months ended June 30, 2003	Six months ended June 30, 2002
Farim Project, Guinea Bissau (West Africa)		
Acquisition, leases and taxes	\$ 43,267	\$ 39,520
Geological	10,841	-
Office and administration	2,653	9,171
Offshore management and contractors	23,955	30,738
Stock based compensation expense	4,043	5,800
Transportation and travel	4,508	14,118
Incurring during the period	<u>89,267</u>	<u>99,347</u>
Costs recovery	(131,063)	-
	<u>(41,796)</u>	<u>99,347</u>
Balance - beginning of period	<u>6,739,417</u>	<u>6,597,596</u>
Balance - end of period	<u><u>6,697,621</u></u>	<u><u>6,696,943</u></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	-	1,011
Incurring during the period	<u>-</u>	<u>9,396</u>
Balance - beginning of period	<u>172,164</u>	<u>162,768</u>
Balance - end of period	<u><u>172,164</u></u>	<u><u>172,164</u></u>
Total	<u><u>\$ 6,869,785</u></u>	<u><u>\$ 7,430,865</u></u>

CHAMPION RESOURCES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 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 has 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 the right to elect to pay each loan payment in cash or to issue shares in the capital stock of TNR at market price less 25%. The payment due on July 1, 2003 was not made and the Company has since requested that all monies loaned to TNR be repaid.

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
Balance, June 30, 2003	6,392,894	\$ 17,320,801

4. Subsequent Event

In July 2003, the Company entered into a letter agreement with Geyser Ltd., 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. CIM, a subsidiary of the Company, holds the interest in the Farim Phosphate Project. This transaction is subject to shareholder and regulatory approvals and is scheduled to close on September 9, 2003. On August 25, 2003, Company shareholders approved the transaction.

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT
CHAMPION RESOURCES INC.	June 30, 2003	2003 - 08 - 26

ISSUER'S ADDRESS
SUITE 2101 - 885 WEST GEORGIA STREET

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

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

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 J. BAILES"	RICHARD J. BAILES	2003 - 08 - 26

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
? "PAUL K. CONIBEAR"	PAUL K. CONIBEAR	2003 - 08 - 26

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

QUARTERLY REVIEW

Farim Phosphate Deposit

In July 2003, Champion Resources entered into a letter agreement with Geyser 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. Geyser, a company based in Dubai, U.A.E. has performed extensive due diligence in respect of CIM and the Farim Project, including site visits. Geyser has made a down-payment against the purchase price. The transaction, which represents the sale of substantially all of the assets of the Company is subject to shareholder and regulatory approvals and is scheduled to close on September 9, 2003. An extraordinary meeting of shareholders of the Company has been scheduled for August 25, 2003.

Over the past few years Champion has worked to prove the economic viability of Farim as a mine. The sale agreement with Geyser validates management's belief in the potential of Farim and accomplishes the objective of adding value to the Company's investment.

The sale of the Farim Project will enable the Company to focus on new opportunities within the natural resource sector to further enhance shareholder value.

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 six months ended June 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. In July 2003, the Company entered into a letter agreement with Geyser Ltd. for the sale of CIM for a cash payment of \$10,550,000. This transaction is subject to shareholder and regulatory approvals and is scheduled to close on September 9, 2003.

Results of Operations

The Company's loss for the second quarter and the six months ended June 30, 2003 was \$71,000 and \$116,000 respectively, as compared to a loss of \$81,000 and \$210,000 for the second quarter and six-month period of 2002. This decrease in losses for both the second quarter and six months of 2003 as compared to year 2002 is primarily due to a decrease in general and administrative expenses.

General and administrative expenses for the second quarter and six-month period of year 2003 were \$73,000 and \$140,000 respectively. This represented a decrease of \$23,000 and \$84,000 compared to \$96,000 and \$224,000 for the same comparable periods of 2002. This decrease is mainly due to a decrease in level of activities while the Company sought a partner for the development of Farim. In particular, management fees have decreased by \$15,000 for the second quarter and \$29,000 for the first six months of 2003 from 2002 as a result of a decrease in management fees to a management services company owned by a director 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 June 30, 2003, the Company had a working capital deficiency of \$5,000. During the period ended June 30, 2003, the Company completed a private placement 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 during the first year and \$0.50 during the second year.

Expenditures incurred on the Farim project in Guinea-Bissau during the six months ended June 30, 2003 were \$89,000 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.
SUPPLEMENTARY INFORMATION
TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 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.	\$ 60,000
456658 B.C. Ltd. (Note 2 below)	30,000
Other	<u>1,090</u>
	<u>\$ 91,090</u>

2. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2003, 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, 2003

- (a) On May 9, 2003, the Company issued 1,030,000 shares, at a price of \$0.40 per share, for gross proceeds of \$412,000 pursuant to the completion of a private placement.
- (b) No incentive stock options were granted during the quarter ended June 30, 2003.

4. AT JUNE 30, 2003

- (a) The authorized share capital consists of 100,000,000 common shares without par value, of which 6,392,894 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 June 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
Cancelled/Expired	<u>(1,000)</u>	<u>\$0.45</u>
Outstanding at June 30, 2003	<u>285,000</u>	<u>\$0.46</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 six months ended June 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 six months ended June 30, 2003.

- (c) As at June 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>
1,687,500	1,687,500	\$0.40	April 1, 2003
		\$0.50	April 1, 2004
1,030,000	1,030,000	\$0.40	May 8, 2004
		\$0.50	May 8, 2005
<u>2,717,500</u>	<u>2,717,500</u>		

5. LIST OF DIRECTORS AND OFFICERS AT JUNE 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