

F I R S T Q U A R T E R R E P O R T

March 31, 2004

RED BACK MINING INC. (FORMERLY CHAMPION RESOURCES INC.)

Notice: The accompanying unaudited interim financial statements of Red Back Mining Inc. (formerly Champion Resources Inc.) (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
INTERIM CONSOLIDATED BALANCE SHEET
(in Canadian Dollars)

	March 31, 2004 (Unaudited)	December 31, 2003 (Audited)
ASSETS		
Current assets		
Cash	\$ 3,148,810	\$ 3,054,484
Accounts receivable	17,068	9,644
Prepaid expenses	39,560	3,166
Deferred financing costs	270,288	111,623
	3,475,726	3,178,917
Investment	90,000	90,000
Mineral properties and related expenditures	6,773,585	6,757,766
	\$ 10,339,311	\$ 10,026,683
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 194,435	\$ 92,714
Due to related parties (Note 4)	7,582	64,386
	202,017	157,100
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	20,775,276	20,392,776
Contributed surplus - stock options	14,933	14,933
Deficit	(10,652,915)	(10,538,126)
	10,137,294	9,869,583
	\$ 10,339,311	\$ 10,026,683

Approved by the Board:

"Richard P. Clark"

Director

"Lukas H. Lundin"

Director

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

	Three months ended March 31, 2004	Three months ended March 31, 2003
	<u> </u>	<u> </u>
Expenses		
Consulting	\$ 455	\$ 325
Interest and bank charges	259	239
Management fees	65,636	46,132
Office and general	3,521	6,694
Professional fees	13,675	4,256
Promotion and public relations	3,237	441
Stock exchange and filing fees	32,000	4,712
Transfer agent and shareholder information	10,689	1,608
Travel	-	2,159
	<u>129,472</u>	<u>66,566</u>
Other (income) expense		
Interest income	(15,642)	(321)
Foreign exchange loss (gain)	959	(22,016)
	<u>(14,683)</u>	<u>(22,337)</u>
Loss for the period	114,789	44,229
Deficit, beginning of the period	<u>10,538,126</u>	<u>10,213,667</u>
Deficit, end of the period	<u>\$ 10,652,915</u>	<u>\$ 10,257,896</u>
Basic and diluted loss per common share	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average number of shares outstanding	<u>12,633,194</u>	<u>5,362,894</u>

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

	Three months ended March 31, 2004	Three months ended March 31, 2003
	<u> </u>	<u> </u>
Cash flows used in operating activities		
Loss for the period	\$ (114,789)	\$ (44,229)
Net changes in non-cash working capital items		
Accounts receivable and other current assets	(43,818)	6,281
Deferred financing costs	(158,665)	-
Accounts payable and accrued liabilities	101,721	(20,783)
Due to related party	(56,804)	31,514
	<u>(272,355)</u>	<u>(27,217)</u>
Cash flows used in investing activities		
Mineral properties and related expenditures	<u>(15,819)</u>	<u>(27,168)</u>
Cash flows from financing activities		
Common shares issued	<u>382,500</u>	<u>-</u>
Increase (decrease) in cash	94,326	(54,385)
Cash, beginning of period	<u>3,054,484</u>	<u>73,346</u>
Cash, end of period	<u>\$ 3,148,810</u>	<u>\$ 18,961</u>

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

	Three months ended March 31, 2004	Three months ended March 31, 2003
	<u> </u>	<u> </u>
Farim Project, Guinea Bissau (West Africa)		
Geological	\$ -	\$ 7,482
Office and administration	438	1,012
Offshore management and contractors	8,457	12,688
Stock based compensation expense	-	4,043
Transportation and travel	6,924	5,986
Incurred during the period	<u>15,819</u>	<u>31,211</u>
Balance - beginning of period	<u>6,757,766</u>	<u>6,739,417</u>
Balance - end of period	<u>6,773,585</u>	<u>6,770,628</u>
Guinea Bissau Reconnaissance (West Africa)		
Diamond reconnaissance		
Balance - beginning of period	<u>-</u>	<u>172,164</u>
Balance - end of period	<u>-</u>	<u>172,164</u>
Total	<u>\$ 6,773,585</u>	<u>\$ 6,942,792</u>

RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2004
(Unaudited)

1. Basis of Presentation

The unaudited interim consolidated financial statements of Red Back Mining Inc. (formerly 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, 2003.

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 2003 Annual Report.

2. Share Capital (Note 5 (a))

(a) 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, 2003	12,540,894	\$ 20,392,776
Warrants exercised	765,000	382,500
Balance, March 31, 2004	13,305,894	\$ 20,775,276

(b) Incentive stock options outstanding at March 31, 2004 are as follows:

	Number of shares	Weighted-average exercise price
Outstanding at December 31, 2003 and March 31, 2004	264,500	\$0.45

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.

- (c) As at March 31, 2004, 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>
805,000	805,000	\$0.50	April 1, 2004
1,020,000	1,020,000	\$0.40	May 8, 2004
		\$0.50	May 8, 2005
<u>6,000,000</u>	<u>6,000,000</u>	\$0.75	December 4, 2005
<u>7,825,000</u>	<u>7,825,000</u>		

3. 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 (CIM), a subsidiary of the Company, for a cash payment of \$10,550,000. CIM is the legal owner of the mining leases comprising the Farim Project. Geysler advanced a \$250,000 deposit (the "Deposit") 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 failed to advance the remaining \$10,300,000. The Company has commenced an action in the Supreme Court of British Columbia against Geysler. 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. Geysler has filed a defence with a counter claim in the amount of the deposit.

4. Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in these financial statements are as follows:

- Paid/accrued \$15,000 for management services provided by a company related to the President of the Company. At March 31, 2004, \$5,350 was due to this company and included in amounts due to related parties.
- Paid/accrued \$1,885 to directors and companies controlled by directors and officers for geological consulting fees. At March 31, 2004, \$1,530 was due to these parties and included in amounts due to related parties.
- Paid/accrued \$540 to a company of which a director is an officer and a director for reimbursement of consulting services. At March 31, 2004, nil was due to this company in respect of expenses paid on behalf of the Company and included in amounts due to related parties.
- Paid/accrued \$48,000 to a company of which a director owns for reimbursement of management services. At March 31, 2004, \$702 was due to this company and included in amounts due to related parties.

5. Subsequent Events

Subsequent to March 31, 2004:

- (a) the merger between Champion Resources Inc. and Red Back Mining NL was completed. All shareholder, regulatory and court approvals were received and the Company is now trading under its new name Red Back Mining Inc. (symbol RBI - TSXV).

Pursuant to the terms of the Merger Agreement, shareholders of the former Red Back Mining NL are being forwarded share certificates representing one new Red Back Mining Inc. share for every three old Red Back Mining NL shares held. As at May 25, 2004, the Company had 49,753,882 common shares issued and outstanding and 1,133,167 share options outstanding under its stock-based incentive plan. At the same date, the Company had 2,271,665 share purchase warrants outstanding.

- (b) subsequent to March 31, 2004, the Company engaged a syndicate of investment dealers led by GMP Securities Ltd. and Haywood Securities Inc. and including Macquarie North America Ltd. (the "Agents") to sell, on a best efforts basis, up to 7.5 million special warrants at a price of \$2.00 per special warrant. The special warrants will be exercisable, without payment of additional consideration, for one common share and one full common share purchase warrant. Each common share purchase warrant will be exercisable over a two year period from the date of closing of the offering into one common share of the Company at a price of \$2.25 per share. The Company has agreed to grant the Agents an over-allotment option to purchase up to an additional 2.5 million special warrants and has also agreed to sell an additional 2.5 million special warrants to an affiliate of Macquarie North America Ltd. Total proceeds from the offering will be \$25 million, prior to the exercise of the common share purchase warrants. The Company would receive additional proceeds of up to \$28 million in the event all of the common share purchase warrants are exercised. The proposed financing is subject to regulatory approvals.

The net proceeds from the financing will be used by the company for the development and exploration of its mineral properties in Ghana and for general working capital and corporate purposes.

**RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
THREE MONTHS ENDED MARCH 31, 2004
(In Canadian Dollars)**

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Red Back Mining Inc. (formerly Champion Resources Inc.) (the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2004 and related notes thereto. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is May 25, 2004.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

General

The Company 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.

Effective May 3, 2004, the Merger between Champion Resources Inc. and Red Back Mining NL was completed. All shareholder, regulatory and court approvals were received and the Company is now trading under its new name Red Back Mining Inc. (symbol RBI - TSXV). Pursuant to the Merger, the Company acquired all of the issued and outstanding shares of Red Back and:

- (a) each Red Back shareholder of record as of the effective date received in exchange for each three Red Back shares held, one post-consolidation Company share; and
- (b) all Red Back convertible securities were cancelled, and each holder of Red Back options as of the effective date received for each three Red Back options held, one post-consolidation Company option, exercisable on terms equivalent to the Red Back options.

As a result of the Merger, Red Back shareholders became majority shareholders of the Company and Red Back became a wholly-owned subsidiary of the Company.

After the Merger, the principal property of the Company is the Chirano Gold Project, located in Ghana, West Africa. The Company has rights to a number of additional exploration and development properties either as prospecting license, reconnaissance license or applications for those licenses including the Ahwiam Gold Project, the Enchi Gold Project, the Bibiani North Gold Project; the Akyem Gold Project, all in Ghana, West Africa and the Farim Phosphate Project, Guinea Bissau, West Africa.

Selected Quarterly Information

Financial Data for 8 Quarters								
Three Months Ended	Mar-04	Dec-03	Sep-03	Jun-03	Mar-03	Dec-02	Sep-02	Jun-02
A. Total revenues (\$000's) (i)	16	1	1	1	0	1	0	1
B. Earnings (loss) before extraordinary items (\$000's)	(115)	(298)	89	(71)	(44)	(664)	(82)	(81)
C. Net earnings (loss) (\$000's)	(115)	(298)	89	(71)	(44)	(664)	(82)	(81)
D. Basis and diluted earning (loss) per share (\$)	(0.01)	(0.03)	0.01	(0.01)	(0.01)	(0.11)	(0.02)	(0.02)

(i) Comprised of interest income.

Results of Operations

The Company's loss for the three months ended March 31, 2004 was \$115,000 as compared to a loss of \$44,000 for the three months ended March 31, 2003. This increase in loss of \$71,000 for the three months end March 31, 2004 is primarily due to an increase in general and administrative expenses.

General and administrative expenses for the first three months of 2004 were \$129,000. This represented an increase of \$62,000 as compared to \$67,000 for the same comparable periods of 2003. This increase is mainly due to an increase in level of activities as the Company effected the Merger with Red Back and sought financing for the development of Chirano and Farim. In particular, management fees have increased by \$20,000 from \$46,000 to \$66,000 as a result of an increase in management fees to a management services company owned by a director of the Company. In addition, stock exchange and filing fees have increased by \$27,000.

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

Liquidity and Capital Resources

At March 31, 2004, the Company had a working capital of \$3.3 million as compared to a working capital of \$3.0 million at December 31, 2003.

Subsequent to March 31, 2004, the Company engaged a syndicate of investment dealers led by GMP Securities Ltd. and Haywood Securities Inc. and including Macquarie North America Ltd. (the "Agents") to sell, on a best efforts basis, up to 7.5 million special warrants at a price of \$2.00 per special warrant. The special warrants will be exercisable, without payment of additional consideration, for one common share and one full common share purchase warrant. Each common share purchase warrant will be exercisable over a two year period from the date of closing of the offering into one common share of the Company at a price of \$2.25 per share. The Company has agreed to grant the Agents an over-allotment option to purchase up to an additional 2.5 million special warrants and has also agreed to sell an additional 2.5 million special warrants to an affiliate of Macquarie North America Ltd. Total proceeds from the offering will be \$25 million, prior to the exercise of the common share purchase warrants. The Company would receive additional proceeds of up to \$28 million in the event all of the common share purchase warrants are exercised. The proposed financing is subject to regulatory approvals, and is expected to close on June 9, 2004.

The net proceeds from the financing will be used by the Company for the development and exploration of its mineral properties in Ghana and for general working capital and corporate purposes. The Company intends to finance the development of the Chirano Gold Project through a combination of debt and equity.

Expenditures incurred on the Farim project in Guinea-Bissau during the three months ended March 31, 2004 were \$16,000. Farim project expenditures were mainly related to care, maintenance and consulting costs.

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 until commencement of production at the Chirano Gold Project in Ghana, West Africa, 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.

Related Party Transactions

The Company's transactions with related parties are disclosed in Note 4 of the interim unaudited consolidated financial statements.

Outstanding Share Data

As at May 25, 2004, the Company had 49,753,882 common shares issued and outstanding and 1,133,167 share options outstanding under its stock-based incentive plan. At the same date, the Company had 2,271,665 share purchase warrants outstanding.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set above.

Outlook

With the Merger completed and a first stage development financing closing in June 9, 2004, the Company is poised to make a final development decision on its Chirano gold project in Ghana, West Africa. In this regard, negotiations are well advanced on a debt component for Chirano and are expected to be completed within 60 days. With first gold production from Chirano on schedule for mid 2005 and an aggressive exploration program underway on the Company's other Ghanaian projects, the Company is poised to become a significant new West Africa gold producer and developer.