

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

	September 30, 2001 (Unaudited)	December 31, 2000 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 48,414	\$ 273,111
Accounts receivable	5,813	19,593
Due from related party	-	18,424
Prepaid expenses	-	28,751
	54,227	339,879
Investment (Note 2)	20,000	-
Loan receivable	120,000	140,000
Mineral properties and related expenditures	7,228,801	6,889,382
Capital assets	42,090	48,817
	\$ 7,465,118	\$ 7,418,078
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 357,668	\$ 449,538
Due to related parties	-	95,928
	357,668	545,466
SHAREHOLDERS' EQUITY		
Share capital		
Authorized -		
100,000,000 common shares without par value		
Issued and outstanding -		
36,753,940 (2000 - 33,633,940) common shares	16,238,801	15,614,801
Deficit	(9,131,351)	(8,742,189)
	7,107,450	6,872,612
	\$ 7,465,118	\$ 7,418,078

Approved by the Board:

Director

Director

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2001	2000	2001	2000
Expenses				
Amortization	\$ -	\$ 2,656	\$ 1,509	\$ 6,359
Capital taxes	-	8,288	(4,586)	9,655
Consulting	4,268	22,550	27,613	164,632
Financing advisory fees	(40,637)	-	6,875	-
Foreign exchange (gain) loss	12,173	(45,137)	19,762	(21,949)
Interest and bank charges	302	4,888	1,239	19,936
Management fees	60,000	27,997	190,000	62,453
Office and general	4,438	45,298	38,041	147,258
Professional fees	(451)	35,375	34,924	145,407
Promotion and public relations	1,948	17,316	17,422	63,750
Stock exchange and filing fees	600	3,820	7,984	16,436
Transfer agent and shareholder information	1,582	3,003	11,241	6,664
Travel	16,024	17,399	29,112	22,101
Wages and benefits	51	3,529	6,133	24,311
	<u>60,298</u>	<u>146,982</u>	<u>387,269</u>	<u>667,013</u>
Other (income) expenses				
Interest income	(770)	(3,035)	(2,347)	(12,388)
Loss on disposal of capital asset	-	-	4,240	-
	<u>-</u>	<u>-</u>	<u>4,240</u>	<u>-</u>
Loss for the period	59,528	143,947	389,162	654,625
Deficit, beginning of the period	<u>9,071,823</u>	<u>5,537,115</u>	<u>8,742,189</u>	<u>5,026,437</u>
Deficit, end of the period	<u>\$ 9,131,351</u>	<u>\$ 5,681,062</u>	<u>\$ 9,131,351</u>	<u>\$ 5,681,062</u>
Loss per common share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Weighted average number of shares	<u>35,353,940</u>	<u>29,946,130</u>	<u>35,353,940</u>	<u>29,946,130</u>

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

	Three months ended September 30		Nine months ended September 30	
	2001	2000	2001	2000
Cash flows from operating activities				
Loss for the period	\$ (59,528)	\$ (143,947)	\$ (389,162)	\$ (654,625)
Items not affecting cash				
Amortization	-	2,656	1,509	6,359
Loss on disposal of capital asset	-	-	4,240	-
	<u>(59,528)</u>	<u>(141,291)</u>	<u>(383,413)</u>	<u>(648,266)</u>
Net changes in non-cash working capital items				
Accounts receivable and other current assets	34,759	314,613	60,953	19,813
Accounts payable and accrued liabilities	(61,222)	32,957	(91,870)	314,183
Due to related party	(27,517)	16	(95,928)	76
	<u>(113,508)</u>	<u>206,295</u>	<u>(510,258)</u>	<u>(314,194)</u>
Cash flows from investing activities				
Mineral properties and related expenditures	(39,446)	(727,870)	(339,419)	(2,088,159)
Proceeds from sale of capital assets	-	-	980	-
Capital assets purchased	-	3,324	-	(6,279)
Reclamation bond	-	(1,091)	-	(1,664)
	<u>(39,446)</u>	<u>(725,637)</u>	<u>(338,439)</u>	<u>(2,096,102)</u>
Cash flows from financing activities				
Common shares issued, net	-	1,072,920	624,000	2,600,570
Increase (decrease) in cash and cash equivalents	(152,954)	553,578	(224,697)	190,274
Cash and cash equivalents, beginning of period	201,368	245,041	273,111	608,345
Cash and cash equivalents, end of period	<u>\$ 48,414</u>	<u>\$ 798,619</u>	<u>\$ 48,414</u>	<u>\$ 798,619</u>
Other supplementary information				
Interest received	<u>\$ 770</u>	<u>\$ 3,035</u>	<u>\$ 2,347</u>	<u>\$ 12,388</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHAMPION RESOURCES INC.
CONSOLIDATED SCHEDULES OF MINERAL PROPERTIES
AND RELATED EXPENDITURES
(in Canadian Dollars) (Unaudited)
September 30, 2001

Farim Project, Guinea Bissau (West Africa)

Permits and lease payment	\$ 11,135
Offshore management and contractors	219,929
Office and administration	12,621
Camp and general	3,114
Geological and geochemical	25,983
Transportation and travel	1,377
Incurring during the period	<u>274,159</u>
Balance - beginning of period	6,289,538
Balance - end of period	<u>6,563,697</u>

Guinea Bissau Reconnaissance (West Africa)

General reconnaissance	
Beginning and end of period	<u>561,758</u>
Diamond reconnaissance	
Assaying, sampling and freight	13,551
Geological and geochemical	26,272
Transportation and travel	25,437
Incurring during the period	<u>65,260</u>
Balance - beginning of period	38,086
Balance - end of period	<u>103,346</u>

Total	<u>\$ 7,228,801</u>
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CHAMPION RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(Unaudited)

1. Significant Accounting Policies

The 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, 2000 except for loss per share. Loss per common share amounts have been calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants whereby the treasury stock method is used to calculate diluted loss per share. The new standard has been applied on a retroactive basis and had no impact on the amounts presented.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's 2000 Annual Report.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

2. Investment

In July 2001, the Company received 80,000 common shares of TNR Resources Ltd. ("TNR") at a deemed price of \$0.25 per share as a result of TNR's election to exercise its conversion option of amounts owed to the Company with respect to the Takatu Project, Guyana.

CHAMPION RESOURCES INC.
NOTES AND SUPPLEMENTARY INFORMATION
TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(In Canadian Dollars)
(Unaudited)

1. FOR THE CURRENT FISCAL YEAR-TO-DATE

(a) MINING PROPERTIES AND RELATED EXPENDITURES

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

(b) GENERAL OFFICE EXPENSES

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

(c) RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2001, the Company incurred management and administrative service fees of \$135,000 to a corporation owned by a director and shareholder of the Company. In addition, the Company incurred \$55,000 for management services provided by a company related to the President of the Company.

2. FOR THE QUARTER ENDED SEPTEMBER 30, 2001

(a) No securities were issued.

(b) No options were granted.

3. AT SEPTEMBER 30, 2001

(a) The authorized share capital consists of 100,000,000 common shares without par value, of which 36,753,940 were issued and outstanding.

(b) The Company has a stock option plan in which 4,836,888 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 plan contains a vesting schedule, such that 20% of an option can be exercised following regulatory approval and a further 10% every quarter thereafter. Options may be granted for periods up to 10 years at a price equal to the prevailing market price on the date the option is granted. No optionee shall be entitled to a grant of more than 5% of the company's outstanding shares.

<u>Options</u>	2001	
	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at beginning of period	3,734,000	\$0.64
Granted/Repriced	3,240,000	\$0.25
Cancelled/Expired	<u>(3,834,000)</u>	<u>\$0.63</u>
Outstanding at end of period	<u>3,140,000</u>	<u>\$0.25</u>

The options outstanding have a weighted average exercise price of \$0.25 per share and expire between November 30, 2001 and March 5, 2006.

- (c) As at September 30, 2001, 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>
1,870,000	1,870,000	\$ 0.76	February 15, 2002
2,400,000	2,400,000	\$ 0.65	December 7, 2002
<u>1,560,000</u>	<u>1,560,000</u>	\$ 0.25	March 29, 2002
<u>5,830,000</u>	<u>5,830,000</u>		

- (d) Directors:

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

- 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, 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 nine months ended September 30, 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.

Results of Operations

The Company's net loss for the third quarter and nine months ended September 30, 2001 were \$60,000 and \$389,000 respectively, as compared to a net loss of \$144,000 and \$655,000 for the third quarter and nine months of year 2000. This decrease in net losses for both the third quarter and nine months of 2001 as compared to year 2000 is primarily due to a decrease in general and administrative expenses, and a reduced level of technical activities.

General and administrative expenses for the third quarter and nine months of year 2001 were \$60,000 and \$387,000 respectively. This represented a decrease of \$87,000 and \$280,000 compared to \$147,000 and \$667,000 for the same comparable periods of year 2000. In particular, consulting and office and general expenses have decreased by \$59,000 for the third quarter and \$246,000 for the first nine months of 2001 from 2000 as a result of streamlining operations including consolidation of corporate offices. Professional expenses have also decreased by \$36,000 and \$110,000 for the third quarter and first nine months of 2001 from 2000. However, management fees have increased by \$32,000 and \$128,000 for the third quarter and first nine months of 2001. Included in 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. Interest income for the third quarter and nine months of 2001 were \$800 and \$2,000 respectively as compared to \$3,000 and \$12,000 for year 2000. This decrease was due to the lower level of cash investments.

The annual 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, 2001, the Company had a working capital deficiency of \$303,000. Subsequent to September 30, 2001 the Company was advanced a loan of \$100,000 from the Chairman of the Company.

Expenditures incurred on the Farim project during the nine months ended September 30, 2001 were \$274,000. These expenditures were mainly related to care and maintenance costs in South Africa and Guinea-Bissau. In addition, the Company incurred \$65,000 of expenditures relating to its diamond exploration program in Guinea-Bissau.

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 it can be obtained on terms satisfactory to the Company.

CHAMPION RESOURCES INC.
THIRD QUARTER REPORT TO SHAREHOLDERS
For the Period Ended September 30, 2001

To Our Shareholders:

In light of persistent difficult financial and commodities markets, the Company has proposed to consolidate its share capital on a one-for-ten basis. A consolidated share base will help facilitate financing initiatives in these trying markets. Current shares outstanding are approximately 36.7 million. Post-consolidation, the number of shares outstanding will be approximately 3.7 million.

The share consolidation forms part of a strategic, forward looking plan by the Company which currently includes a proposed rights offering to shareholders. Funds raised from the rights offering will be used to review other acquisition opportunities and for general working capital purposes.

Farim Phosphate Deposit

The Company has initiated a structured tendering process to identify serious industry partners for the development of the Farim phosphate deposit in Guinea Bissau. This process will continue over the next several months.

Farim is a world class phosphate deposit offering abundant reserves, high quality product and attractive economics. Work with Bateman Minerals and MRDI Canada confirm an overall resource of 166 million tonnes of phosphate ore grading 29.1% P₂O₅. Mine plan studies schedule 37 million tonnes of phosphate ore over an initial mine life of 15 years, producing an annual output of approximately 2.1 million tonnes of phosphate concentrate at a grade of 32.3% P₂O₅.

Diamond Exploration

The Company is awaiting results from an extensive heavy mineral concentrate sampling program conducted over a 1,000 square kilometre area in eastern Guinea Bissau. The samples have been shipped to CF Mineral Research Labs in Kelowna, B.C. for analysis. Results are expected in early November.

Administrative

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

On Behalf of the Board,

Richard P. Clark
President

November 16, 2001