

RED BACK MINING INC.
(formerly, Champion Resources Inc.)

ANNUAL REPORT TO SHAREHOLDERS
For the Year Ended December 31, 2003

The Board of Directors is pleased to present the following report to shareholders on the activities of the Corporation during fiscal 2003 and its plans for the coming year.

2003 saw the opening of a whole new chapter in the life of the Corporation when it entered into an agreement with Red Back Mining NL, an Australian gold company, to merge the two companies. Shareholders recently approved the merger and change of name of the Corporation and on May 3, 2004, following receipt of regulatory approval, the merger closed. The shares of the Corporation continue to trade on the TSX-V in Vancouver, Canada, under the symbol "RBI" .

Red Back Mining NL and the Chirano Gold Project

Red Back Mining NL is the owner of the Chirano Gold Project ("Chirano"), located in the West African country of Ghana, a country known for its rich and plentiful gold deposits.

Chirano is located 20 kilometres south of the Bibiani gold mine (230,000 ounces per year) owned by Ashanti Goldfields Company Limited. Chirano currently has proven and probable reserves of 16.1 million tonnes grading 2.1 grams per tonne for approximately 1 million ounces of gold. A bankable feasibility study completed by Lycopodium Pty Ltd. of Perth, Australia concludes that at a gold price of US\$325 per ounce, an open pit mining operation at Chirano will produce approximately 930,000 ounces of gold over a mine life of 6.5 years (130,000 ounces per year). Open pit optimization studies show the potential to convert additional resource ounces (8 million tonnes inferred resources) into reserves at higher gold prices.

A 10,000 metre drilling program commenced in December, 2003 at Chirano with the objective to convert currently defined Inferred Resources into Ore Reserves and to test mineralization at depth to maximize the economic size of the current pits with a higher gold price applied.

Results reported to date include:

- ? Discovery of blind, open-at-depth mineralized shoots in the Tano area (CHRC 572, 50m @ 4.00g/t)
- ? Extension of the Akoti North and Akwaaba shoots to vertical depths of 180m (CHRC 559, 19m @ 4.69g/t) and 150m (CHRC 537, 24m @ 3.05g/t) respectively. These shoots remain open at depth
- ? The intersection of economic mineralization (CHRC550, 77m @ 1.33g/t) below shallow portions of current pit designs within the 3.5km long main pit complex
- ? Potential for discovery of additional blind mineralised shoots within structural hinge zones near the southern and northern limits of the main pit complex
- ? Higher grade intersections within the Akwaaba satellite pit (CHRC 540, 7m @ 21.39g/t)

The results support management's expectation of an increased size potential for Chirano and enhanced project economics. Drilling will continue in 2004 to further develop the economic potential of Chirano.

Mineralization at Chirano is hosted in a major splay fault off the main Bibiani Shear. Gold lodes are consistently 20-30 metres wide and to date have only been drilled to depths of 100 - 175 metres. Based upon similar deposit types in Ghana, it is reasonable to expect additional resources at depth.

With the successful completion of the merger, the Corporation will look to finalize the necessary equity and debt financing to commence and complete development of a mine at Chirano. Subject to market conditions, construction is anticipated to commence in May, 2004. Construction completion is projected at 15 months from start up, which would see a first gold pour in the second quarter of 2005 at a projected rate of 130,000 ounces per annum.

Chirano represents only a small part of Red Back's extensive land holding in Ghana, including the majority of the 200 kilometres of strike length of the Bibiani Shear structure which hosts the Chirano and

Bibiani deposits. To date Red Back has only systematically explored 10 kilometres of this structure. In 2004, Red Back will carry out exploration programs on all of its exploration projects, looking to make another gold discovery to complement Chirano.

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% 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. With these reserves and grades and strategic transport location, 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 Corporation intends to continue to advance Farim towards a development decision.

Administrative

During the course of the year, the Corporation raised \$3,412,000 by way of private placement for general working capital purposes and costs related to the merger.

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

Looking Forward

The Corporation would like to express its gratitude and thank its shareholders for their support and extend a warm welcome to its new shareholders as a result of the merger. The Corporation is entering an exciting new phase, and development of the Chirano gold project will launch the Corporation as a significant new gold producer in the industry. The Corporation looks forward to many years of growth as it not only develops Chirano to its full extent but explores its prime exploration properties in gold-rich Ghana.

On Behalf of the Board,

Richard P. Clark
President

May 12, 2004

RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS
(In Canadian Dollars)
DECEMBER 31, 2003 AND 2002

The following discussion and analysis of the results of operations and financial conditions ("MD&A") for Red Back Mining Inc. (formerly Champion Resources Inc.) (the "Company") should be read in conjunction with the consolidated financial statements for the years ended December 31, 2003 and 2002 and related notes therein. 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 April 30, 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.

In July 2003, the Company entered into a purchase and sale agreement with Geysler Ltd. ("Geysler") for the sale of CIM for a cash payment of \$10,550,000 (the "Farim Purchase and Sale Agreement"). Geysler, a company based in Dubai, U.A.E., conducted formal technical and legal due diligence in respect of the Farim Project during May and June, 2003 which concluded successfully. Upon completion of due diligence and on signing of the Farim Purchase and Sale Agreement, Geysler made a \$250,000 deposit (the "Deposit") against the purchase price. The closing of the purchase and sale was set for September 9, 2003. However, in breach of the express provisions of the Farim Purchase and Sale Agreement, Geysler failed to pay the balance of the purchase price. Geysler's failure to complete the purchase of Farim has negatively affected the marketability and value of the project. The Company has commenced an action against Geysler in the Supreme Court of British Columbia for damages and intends to pursue this matter vigorously. Subsequent to December 31, 2003, Geysler filed a defence with a counter claim in the amount of the Deposit.

On November 4, 2003, the Company entered into an agreement, as amended, (the "Merger Agreement") with Red Back Mining NL of Australia ("Red Back") pursuant to which the parties agreed to complete a merger of the Company and Red Back, subject to the satisfaction of certain conditions precedent, including the receipt of the requisite shareholder, Court and regulatory approvals. Pursuant to the Merger, the Company will acquire all of the issued and outstanding shares of Red Back and:

- (a) each Red Back shareholder of record as of the effective date will receive in exchange for each three Red Back shares held, one post-consolidation Company share; and
- (b) all Red Back convertible securities will be cancelled, and each holder of Red Back options as of the effective date will receive 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 will become majority shareholders of the Company and Red Back will become a wholly-owned subsidiary of the Company. On April 14, 2004, shareholders of the Company approved the Merger.

The following procedural steps, some of which have been completed, are required in order for the Merger to become effective:

- (a) the Merger must be approved by the requisite majority of the Company's shareholders, which approval was received on April 14, 2004;
- (b) the Red Back Scheme must be approved by the requisite majorities of the Red Back shareholders and Red Back option holders at the Red Back Meeting, which approval was received on April 13, 2004;
- (c) the Australian Court must grant Red Back the final order approving the Red Back scheme of arrangement, which order was issued on April 22, 2004; and
- (d) all other conditions precedent to the Merger, as set forth in the Merger Agreement, including requisite regulatory approval and satisfaction of customary closing conditions must be completed or waived.

It is anticipated that Closing of the Merger will occur on or about May 3, 2004.

Selected Annual Information

	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Statement of Operations Data			
Total Revenue (i)	\$ 3,000	\$ 2,000	\$ 2,000
Net Loss	\$ 324,000	\$ 956,000	\$ 516,000
Data per Common Share			
Basic and Diluted Net Loss	\$ 0.05	\$ 0.19	\$ 0.14
Balance Sheet Data			
Total Assets	\$ 10,027,000	\$ 7,128,000	\$ 7,590,000
Long Term Liabilities	NIL	NIL	NIL

(i) Comprised of interest income.

Selected Quarterly Information

Financial Data for 8 Quarters								
Three Months Ended	Dec-03	Sep-03	Jun-03	Mar-03	Dec-02	Sep-02	Jun-02	Mar-02
A. Total revenues (\$000's) (i)	1	1	1	0	1	0	1	0
B. Earnings (loss) before extraordinary items (\$000's)	(298)	89	(71)	(44)	(664)	(82)	(81)	(129)
C. Net earnings (loss) (\$000's)	(298)	89	(71)	(44)	(664)	(82)	(81)	(129)
D. Basis and diluted earning (loss) per share (\$)	(0.03)	0.01	(0.01)	(0.01)	(0.11)	(0.02)	(0.02)	(0.04)

(i) Comprised of interest income.

Results of Operations

Fourth Quarter of 2003 compared to 2002

The loss for the fourth quarter of 2003 was \$298,000 as compared to a loss of \$664,000 for 2002. In the fourth quarter of 2002, the Company wrote-off \$562,000 in expenditures relating to the Guinea Bissau reconnaissance program as mentioned below. General and administrative expenses for 2003 were comparable to 2002.

Year ended December 31, 2003 compared to 2002

The Company's loss for the year ended December 31, 2003 was \$324,000 as compared to a loss of \$956,000 for the year ended December 31, 2002. This decrease in loss of \$632,000 is primarily due to the down payment, net of expenses, of \$159,000 received from Geyser in respect of the sale of CIM as mentioned above and the write-off of \$562,000 in expenditures relating to the Guinea Bissau reconnaissance program in 2002. During the year ended December 31, 2003, the Company wrote-off all expenditures in the amount of \$172,000 relating to its diamond reconnaissance program in Guinea Bissau. Management has determined that recovery of this amount is unlikely until the Farim Project is put into production and the international investment community is thereby assured of a stable political and economic climate in Guinea Bissau.

General and administrative expenses for the years ended December 31, 2003 and 2002 were \$337,000 and \$393,000 respectively, a decrease of \$56,000. This decrease is mainly due to a decrease in the level of activities while the Company sought a partner for the development of Farim. In particular, management fees have decreased by \$34,000 from \$230,000 to \$196,000 as a result of a decrease in management fees to a management services company. Consulting fees have decreased by \$10,000 from \$12,000 to \$2,000. Professional fees have also decreased by \$9,000 from \$36,000 to \$27,000. Office and general expense increased by \$24,000 from \$18,000 to \$42,000. Included in the office and general expense for 2003 was \$22,000 in respect of office relocation costs.

In addition, the Company realized a loss of \$12,000 from the sale of shares received on settlement of debts owed.

The quarterly and 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 December 31, 2003, the Company had a working capital of \$3 million as compared to a working capital deficit of \$333,000 for 2002.

During 2003, the Company completed two private placements. The first private placement was 1,030,000 units of the Company at a price of \$0.40 per unit for gross proceeds of \$412,000. Each unit comprised one common share and one share purchase warrant. Each warrant is 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.

In accordance with the terms of its agreement with Red Back, the Company completed a second private placement of 6,000,000 units of the Company at a price of \$0.50 per unit for gross proceeds of \$3,000,000. Each unit comprised one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company over a period of two years at a price of \$0.75. Net proceeds of the private placement will be used for costs of the combination with Red Back and for general working capital purposes. In the event that the corporate combination does not close, then the net proceeds will be used for the costs of the combination, future project evaluation and acquisition, the Farim Phosphate Project and general working capital.

Expenditures incurred on the Farim project in Guinea-Bissau during the year ended December 31, 2003 were \$157,000 before cost recovery of \$131,000. Farim project expenditures were mainly related to care and maintenance, including lease payments on the property, and consultant 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.

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.

Related Party Transactions

The Company's transactions with related parties are disclosed in Note 8 of the consolidated financial statements.

Outstanding Share Data

As at April 30, 2004, the Company had 4,788,631 (post-consolidation) common shares outstanding and 88,167 (post-consolidation) share options outstanding under its stock-based incentive plan. The Company had 2,213,333 (post-consolidation) share purchase warrants outstanding.

Risks

The Company's properties/operation are subject to certain risks including but not limited to government regulations relating to mining, metal prices and currency rate fluctuation, competition, receipts of permits and approval from government authorities, operating hazards and other risks inherent to the exploration development and operation of a mine.

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

Pursuant to the Merger Agreement, the Company agreed with Red Back to merge the two companies, effective May 3, 2004 (the closing date).

The principal property of the Company will be the Chirano Gold Project, located in Ghana, West Africa. The Company will also hold a number of additional exploration and development properties including the Ahwaim Gold Project, Ghana, West Africa; the Enchi Gold Project, Ghana, West Africa; the Akyem Gold Project, Ghana, West Africa and the Farim Phosphate Project, Guinea Bissau, West Africa.

The Chirano Project covers an area of 50 square kilometres (with an additional 40.2 square kilometres covered by a prospecting license) located along strike from Ashanti Goldfields Company Limited's 5 million ounce Bibiani gold mine. Perth, Australia based engineering consultants Lycopodium Pty Ltd completed a Bankable Feasibility Study on Chirano in 2003. The study concluded that Chirano is feasible at a gold price of US\$ 325 per ounce. The Chirano resources and reserves are tabulated below:

Chirano Resources and Reserves Summary

Classification	Tonnes (000's)	Grade g/t Au	Contained Ounces Gold
Measured Resources	6,940	2.5	562,000
Indicated Resources	15,150	1.9	944,000
	22,090		1,506,000
Inferred Resources	8,310	2.0	545,000
Probable Reserves	12,576	2.3	917,000

Granting of the formal mining lease for Chirano was granted on April 13, 2004. Upon receipt of the lease development of the mine will commence, with gold production expected 15 months thereafter. Upon achieving production the Company will be the fourth largest gold producer in Ghana (130,000 ounces per year).

The Company intends to finance the development of Chirano through a combination of debt and equity.

The accompanying consolidated financial statements of Red Back Mining Inc. (formerly Champion Resources Inc.) and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates, which have been made using careful judgment.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of the Company and its subsidiaries have developed and continue to maintain systems of internal accounting controls that are appropriate in the circumstances. Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, comprising management and outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the audit committee, with and without management being present.

These financial statements have been audited by Staley, Okada & Partners, Chartered Accountants, and their report follows.

"Richard Clark"

Richard Clark
President

Vancouver, British Columbia
April 30, 2004

"Paul Conibear"

Paul Conibear
Vice President - Operations

AUDITORS' REPORT

To the Shareholders of Red Back Mining Inc. (formerly Champion Resources Inc.):

We have audited the consolidated balance sheets of Red Back Mining Inc. (formerly Champion Resources Inc.) as at December 31, 2003 and 2002 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 audits.

We conducted our audits 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, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Staley, Okada & Partners"

Vancouver, BC
April 30, 2004

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

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

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
ASSETS		
Current assets		
Cash	\$ 3,054,484	\$ 73,346
Accounts receivable	9,644	4,623
Prepaid expenses	3,166	6,375
Deferred financing costs	111,623	-
	<u>3,178,917</u>	<u>84,344</u>
Investment (Note 3)	90,000	30,000
Loan receivable (Note 4 (c))	-	90,000
Mineral properties and related expenditures (Note 4)	6,757,766	6,911,581
Property, plant and equipment, net	-	12,056
	<u>\$ 10,026,683</u>	<u>\$ 7,127,981</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 92,714	\$ 339,975
Due to related parties (Note 8)	64,386	76,982
	<u>157,100</u>	<u>416,957</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)		
Authorized -		
100,000,000 common shares without par value		
Issued and outstanding -		
12,540,894 (2002 - 5,362,894) common shares	20,392,776	16,913,801
Contributed surplus - stock options	14,933	10,890
Deficit	(10,538,126)	(10,213,667)
	<u>9,869,583</u>	<u>6,711,024</u>
	<u>\$ 10,026,683</u>	<u>\$ 7,127,981</u>

Approved by the Board:

"Richard Clark"

Director

"Paul Conibear"

Director

See accompanying notes to consolidated financial statements

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

	<u>Year ended December 31, 2003</u>	<u>Year ended December 31, 2002</u>
Expenses		
Amortization	\$ -	\$ 1,283
Consulting	1,820	12,288
Interest and bank charges	984	10,242
Management fees	196,050	229,712
Office and general	42,480	18,470
Professional fees	27,182	36,333
Promotion and public relations	2,718	7,800
Stock based compensation expense	-	5,090
Stock exchange and filing fees	28,288	13,817
Transfer agent and shareholder information	23,816	19,262
Travel	13,176	38,996
	<u>336,514</u>	<u>393,293</u>
Other (income) expense		
Interest income	(2,971)	(1,964)
Foreign exchange gain	(34,020)	(598)
Forfeited deposit on sale of subsidiary, net	(159,369)	-
	<u>(196,360)</u>	<u>(2,562)</u>
Loss before the undernoted	140,154	390,731
Write-off of mineral property interest	172,164	561,758
Loss on sale of investment	12,141	3,455
	<u>324,459</u>	<u>955,944</u>
Loss for the year	324,459	955,944
Deficit, beginning of the year	<u>10,213,667</u>	<u>9,257,723</u>
Deficit, end of the year	<u>\$ 10,538,126</u>	<u>\$ 10,213,667</u>
Basic and diluted loss per common share	<u>\$ 0.05</u>	<u>\$ 0.19</u>
Weighted average number of shares outstanding	<u>6,441,460</u>	<u>4,955,019</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31, 2003	Year ended December 31, 2002
Cash flows (used in) operating activities		
Loss for the year	\$ (324,459)	\$ (955,944)
Items not affecting cash		
Amortization	-	1,283
Write-off of mineral property interest	172,164	561,758
Stock based compensation expense	-	5,090
Loss on sale of investment	12,141	3,455
	<u>(140,154)</u>	<u>(384,358)</u>
Net changes in non-cash working capital items		
Accounts receivable and other current assets	(1,812)	276
Deferred financing costs	(111,623)	-
Accounts payable and accrued liabilities	(116,198)	(25,175)
Due to related party	(12,596)	(166,716)
	<u>(382,383)</u>	<u>(575,973)</u>
Cash flows (used in) investing activities		
Mineral properties and related expenditures	(140,847)	(131,267)
Proceeds from sale of fixed assets	7,534	-
Proceeds from sale of investment	17,859	16,545
	<u>(115,454)</u>	<u>(114,722)</u>
Cash flows from financing activities		
Common shares issued, net	<u>3,478,975</u>	<u>675,000</u>
Increase (decrease) in cash	2,981,138	(15,695)
Cash, beginning of year	<u>73,346</u>	<u>89,041</u>
Cash, end of year	<u>\$ 3,054,484</u>	<u>\$ 73,346</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>
Mineral property expenditures by way of stock options	<u>\$ 4,043</u>	<u>\$ 5,800</u>
Loan receivable exchanged for investment	<u>\$ 90,000</u>	<u>\$ 30,000</u>
Other supplementary information:		
Amortization of mining assets	<u>\$ 12,056</u>	<u>\$ 14,150</u>

See accompanying notes to consolidated financial statements

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

	Year ended December 31, 2003	Year ended December 31, 2002
Farim Project, Guinea Bissau (West Africa)		
Acquisition, leases and taxes	\$ 50,478	\$ 39,420
Amortization	12,056	14,150
Geological	10,447	-
Office and administration	9,067	14,033
Offshore management and contractors	47,950	54,336
Stock based compensation expense	4,043	5,800
Transportation and travel	22,905	14,082
Incurred during the year	<u>156,946</u>	<u>141,821</u>
Cost recovery	(131,063)	-
Proceeds from sale of fixed assets	<u>(7,534)</u>	<u>-</u>
	18,349	141,821
Balance - beginning of year	<u>6,739,417</u>	<u>6,597,596</u>
Balance - end of year	<u>6,757,766</u>	<u>6,739,417</u>
Guinea Bissau Reconnaissance (West Africa)		
General reconnaissance		
Balance - beginning of year	-	561,758
Write-off of mineral property interest	<u>-</u>	<u>(561,758)</u>
Balance - end of year	<u>-</u>	<u>-</u>
Guinea Bissau Reconnaissance (West Africa)		
Diamond reconnaissance		
Geological	-	8,385
Maps	<u>-</u>	<u>1,011</u>
Incurred during the year	-	9,396
Balance - beginning of year	172,164	162,768
Write-off of mineral property interest	<u>(172,164)</u>	<u>-</u>
Balance - end of year	<u>-</u>	<u>172,164</u>
Total	<u>\$ 6,757,766</u>	<u>\$ 6,911,581</u>

See accompanying notes to consolidated financial statements

RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(in Canadian Dollars)

1. Nature of Operations and Going Concern Basis of Presentation

Red Back Mining Inc. (formerly 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.

During the quarter ended December 31, 2003, the Company signed an agreement with Red Back Mining NL of Australia ("Red Back") to combine the companies to form Red Back Mining Inc. ("Red Back Mining") and to subsequently apply for a listing of Red Back Mining on the Toronto Stock Exchange (Note 12).

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 expenditures.

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. ("CIM") (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, 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) Property, Plant and Equipment

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

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) Deferred Financing Costs

In connection with business acquisitions, reverse take-overs, or corporate reorganizations, the Company accumulates related costs to the date of acquisition, and for a reasonable period of time thereafter, and capitalizes such costs to share capital. Such costs relating to acquisitions, reverse take-overs or reorganizations in progress at the year-end are carried on the balance sheet as deferred financing costs. Upon closing of the transaction such costs are transferred to share capital. In the event that the transaction does not complete, the related costs are treated as period costs and are included in the results of operations for the period in which the transaction is abandoned or terminated.

(i) Stock-Based Compensation – Change in Accounting Policy

The Company has adopted the new recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, which applies to all awards granted on or after January 1, 2002. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

As encouraged by Section 3870, the Company has enacted prospectively early adoption of the fair value based method of accounting for awards issued to employees for the fiscal year beginning January 1, 2003.

The new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. In prior years, stock-based compensation expense was recognized only when stock-based compensation awards were made to non-employees, while pro-forma disclosure was acceptable for awards made to employees.

(j) 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.

(k) 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.

(l) 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, <u>2003</u>	December 31, <u>2002</u>
TNR Resources Ltd. – 409,092 (2002-230,000) common shares with a market value at December 31, 2003 of approximately \$142,228 (2002 \$52,900 (Note 4(c)))	<u>\$ 90,000</u>	<u>\$ 30,000</u>

This investment represents a nominal interest in the investee.

4. Mineral Properties and Related Expenditures

	Acquisition	Exploration	December 31, 2003	December 31, 2002
Mineral Properties				
Farim Project, Guinea Bissau, West Africa	\$ 278,591	\$ 6,479,175	\$ 6,757,766	\$ 6,739,417
Guinea Bissau Reconnaissance, West Africa	-	-	-	172,164
	<u>\$ 278,591</u>	<u>\$ 6,479,175</u>	<u>\$ 6,757,766</u>	<u>\$ 6,911,581</u>

(a) Farim Project, Guinea Bissau, West Africa

The Company owns a 100% interest in four Mining Leases covering a total area of 30,625 hectares, which comprise the Farim property. 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 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\$36,000) 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\$72,000) per year.

The Company holds a Prospecting Licence from the Government which is valid until 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 (and subsequent amendments), 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. 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 agreed to grant the Company Mining Leases for deposits that the Company located during the term of the agreement.

During the 2002 fiscal year, management determined that there was no reasonable expectation of recovery of costs with respect to the Guinea Bissau general reconnaissance program. Accordingly, the Company wrote off its general reconnaissance costs in the amount of \$561,758 as at December 31, 2002.

In February 2002, the Company was granted the exclusive rights to explore Guinea Bissau for diamond deposits. The Company's exclusive right to explore for diamonds expired on April 5, 2003. The Company has not made subsequent application to continue its diamond exploration, therefore, the Company wrote off its diamond exploration costs in the amount of \$172,164 as at December 31, 2003.

(c) Takatu Project, Guyana

The Company had a joint venture interest in certain mineral claims located in Northwest Guyana. The joint venture agreement provided for the Company to loan the first \$750,000 of TNR's contributions to the joint venture and provided the Company the option to request payment of the loan in cash, or through the issuance of convertible securities. The Company expended on TNR's behalf, the sum of \$133,192 prior to the termination of the joint venture. Subsequently, 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 agreed that TNR would repay the non-interest bearing loan in the following installments:

<u>Due Date</u>	<u>Amount Due</u>
July 1, 2001	\$ 20,000 *
July 1, 2002	30,000 *
July 1, 2003	40,000 **
July 1, 2004	50,000 **
	<u>\$ 140,000</u>

TNR had 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:

<u>Installment Date</u>	<u>Conversion Price</u>
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.

** In September, 2003, TNR agreed to pay these amounts by issuing a total of 409,092 shares of its capital stock to the Company (Note 3).

5. Property, Plant and Equipment

	Cost	Accumulated Amortization	December 31, 2003 Net Book Value	December 31, 2002 Net Book Value
Vehicles	\$ 68,868	\$ 68,868	\$ -	\$ 12,056

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.

	Number of Shares	Amount
Shares Issued:		
Balance, December 31, 2001	3,675,394	\$ 16,238,801
Private placement	1,687,500	675,000
Balance, December 31, 2002	5,362,894	16,913,801
Private placements, net (Note 12 (a))	7,030,000	3,407,000
Warrants exercise	127,500	62,750
Stock options exercise	20,500	9,225
Balance, December 31, 2003	<u>12,540,894</u>	<u>\$20,392,776</u>

(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 December 31, 2003 are as follows:

<u>Options</u>	Number of Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2002	266,000	\$0.45
Granted	20,000	\$0.47
Exercise	(20,500)	\$0.45
Cancelled/Expired	<u>(1,000)</u>	<u>\$0.45</u>
Outstanding at December 31, 2003	<u>264,500</u>	<u>\$0.45</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 year ended December 31, 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 options granted during the year ended December 31, 2003.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimated, and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

- (c) As at December 31, 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>
1,560,000	1,560,000	\$0.50	April 1, 2004
1,030,000	1,030,000	\$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>8,590,000</u>	<u>8,590,000</u>		

7. Litigation

In July 2003, the Company entered into a letter agreement with Geyser Ltd. ("Geyser"), 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. Geyser 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 Geyser 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, Geyser failed to advance the remaining \$10,300,000. The Company has commenced an action in the Supreme Court of British Columbia against Geyser. The Company is seeking damages from Geyser for its failure to fulfill its obligations under the Purchase Agreement and intends to pursue this matter vigorously. Subsequent to December 31, 2003, Geyser filed a defence with a counter claim in the amount of the deposit.

8. Related Party Transactions

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

- (a) Paid/accrued \$60,000 (2002 - \$60,000) for management services provided by a company related to the President of the Company. At December 31, 2003, \$9,304 (2002 - \$48,150) was due to this company and included in amounts due to related parties.
- (b) Paid/accrued \$8,580 (2002 - \$18,590) to directors and companies controlled by directors and officers for geological consulting fees. At December 31, 2003, \$626 (2002 - \$1,986) was due to these parties and included in amounts due to related parties.

- (c) Paid/accrued \$nil (2002 - \$9,315) to a company of which a director and the President of the Company are officers and directors for reimbursement of consulting services. At December 31, 2003, \$31,496 (2002 - \$1,080) was due to this company in respect of expenses paid on behalf of the Company and included in amounts due to related parties.
- (d) Paid/accrued \$7,830 (2002 - \$nil) to a company of which a director is an officer and a director for reimbursement of consulting services. At December 31, 2003, \$1,620 (2002 - \$nil) was due to this company in respect of expenses paid on behalf of the Company and included in amounts due to related parties.
- (e) Paid/accrued \$135,000 (2002 - \$165,000) to a company of which a director owns for reimbursement of management services and relocation expenses. At December 31, 2003, \$21,340 (2002 - \$3,106) was due to this company and included in amounts due to related parties.
- (f) Received advances totalling \$nil (2002-\$75,000) from the previous Chairman of the Company. These advances were repaid during 2002 with interest at 8% totalling \$11,286.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition, directors, officers and their associates participated in two private placements of 1,030,000 shares at \$0.40 per share and 6,000,000 shares at \$0.50 per share during 2003. A total of 565,000 shares were purchased by such directors and officers.

9. Income Taxes

- (a) The company has income tax losses carried forward of approximately \$2,747,000 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
2010	<u>182,000</u>
	<u>\$2,747,000</u>

- (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.

10. 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, 2003					
Segment revenue	\$ 2,971	\$ -	\$ -	\$ -	\$ 2,971
Segment operating Income (loss)	\$ (455,718)	\$ -	\$ 19,636	\$ -	\$ (436,082)
Identifiable assets	\$ 3,153,340	\$ 7,917,435	\$ 3,954	\$ (1,159,669)	\$ 9,915,060

	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

11. 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 terminated in June 2003 since a financing transaction was not concluded before then.

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

- (b) 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 unsupported. Any attempt to collect these duties will be defended by the Company.

12. Business Combination

On November 4, 2003, the Company entered into an agreement, as amended, (the "Merger Agreement") with Red Back Mining NL of Australia ("Red Back") pursuant to which the parties agreed to complete a merger of the Company and Red Back, subject to the satisfaction of certain conditions precedent, including the receipt of the requisite shareholder, Court and regulatory approvals. Pursuant to the Merger, the Company will acquire all of the issued and outstanding shares of Red Back and:

- (a) each Red Back shareholder of record as of the effective date will receive in exchange for each three Red Back shares held, one post-consolidation Company share; and
- (b) all Red Back convertible securities will be cancelled, and each holder of Red Back options as of the effective date will receive 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 will become majority shareholders of the Company and Red Back will become a wholly-owned subsidiary of the Company. On April 14, 2004, shareholders of the Company approved the Merger.

The following procedural steps, some of which have been completed, are required in order for the Merger to become effective:

- (a) the Merger must be approved by the requisite majority of the Company's shareholders, which approval was received on April 14, 2004;
- (b) the Red Back Scheme must be approved by the requisite majorities of the Red Back shareholders and Red Back option holders at the Red Back Meeting, which approval was received on April 13, 2004;
- (c) the Australian Court must grant Red Back the final order approving the Red Back scheme of arrangement, which order was issued on April 22, 2004; and
- (d) all other conditions precedent to the Merger, as set forth in the Merger Agreement, including requisite regulatory approval and satisfaction of customary closing conditions must be completed or waived.

It is anticipated that Closing of the Merger will occur on or about May 3, 2004.

During the year ended December 31, 2003, the Company incurred \$111,623 in costs relating to the Merger. These costs have been deferred in these financial statements and will be deducted from share capital upon completion of the Merger.

The pro forma balance sheet of the combined company as at December 31, 2003 is as follows:

RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
PRO-FORMA CONSOLIDATED BALANCE SHEET
as at December 31, 2003
Canadian Funds (Unaudited)

	Historical		Pro-Forma	
	December 31, 2003 Champion Resources Inc.	December 31, 2003 Red Back Mining NL	Adjustments Note 3	December 31, 2003 Consolidated
ASSETS				
Current Assets				
Cash	\$ 3,054,484	\$ 3,055,348	\$ (323,000) (a) (26,760) (b) (291,930) (d) 374,644 (e)	\$ 5,842,786
Receivables	9,644	56,962		66,606
Prepaid and Deposits	3,166	90,700		93,866
Deferred Financing Costs	111,623	-	-	111,623
	3,178,917	3,203,010	(267,046)	6,114,881
Property, Plant and Equipment	-	2,173,757		2,173,757
Investments	90,000			90,000
Mineral Properties and Related Exploration Expenditures	6,757,766	18,967,621	(1,209,563) (c) (1,533,820) (f)	22,982,004
TOTAL ASSETS	\$ 10,026,683	\$ 24,344,388	\$ (3,010,429)	\$ 31,360,642
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrual Bank Facility	\$ 157,100	\$ 688,357 1,177,610		\$ 845,457 1,177,610
	157,100	1,865,967	-	2,023,067
Lease Liability	-	26,365	-	26,365
TOTAL LIABILITIES	157,100	1,892,332	-	2,049,432
SHAREHOLDER'S EQUITY				
Share Capital	20,392,776	28,309,420	(323,000) (a) (26,760) (b) (291,930) (d) 374,644 (e) 7,900,763 (f) (20,392,776) (f)	35,943,137
Contributed Surplus	14,933		(14,933) (f)	-
Deficit	(10,213,667)	(5,265,962)	10,213,667 (f)	(5,265,962)
Current Year Loss	(324,459)	(591,402)	759,459 (f)	(156,402)
Dividend			(1,209,563) (c)	(1,209,563)
TOTAL LIABILITY AND SHAREHOLDERS EQUITY	\$ 10,026,683	\$ 24,344,388	\$ (3,010,429)	\$ 31,360,642

Pro forma assumptions and adjustments are as follows:

- (a) Estimated costs of the Transaction, which includes costs such as legal, accounting, filing, transfer agent, sponsorship fee and consulting fees. Such costs are treated as a charge against the proceeds of shares issued in contemplation of the Transaction.
- (b) Estimated merger costs of Red Back. Such costs are treated as a charge against the proceeds of shares issued in contemplation of the Transaction.
- (c) To record the spin-off of the Red Back Australian assets including the related distribution of the consideration received for the Australian exploration properties to the shareholders of Red Back in the form of a dividend.
- (d) Estimated Transaction costs of Red Back. Such costs are treated as a charge against the proceeds of shares issued in contemplation of the Transaction.
- (e) To record the exercise of 2,138,889 outstanding stock purchase options at AU\$0.18 in Red Back to be completed as part of the Transaction.
- (f) To record the acquisition of the net identifiable assets of the Company on a reverse takeover basis as follows:

Value paid by Red Back for the Company assets

Number of the Company shares outstanding at December 31, 2003	12,540,894
Estimated fair value of the Company price per share	\$ 0.63
	<u>\$ 7,900,763</u>
Net identifiable assets of the Company	
Per December 31, 2003 financials	\$ 9,869,583
Transaction costs and sponsorship fees	<u>(435,000)</u>
	9,434,583
Adjustment to mineral property	(1,533,820)
	<u>\$ 7,900,763</u>

**RED BACK MINING INC.
(FORMERLY CHAMPION RESOURCES INC.)
CORPORATE DIRECTORY
DECEMBER 31, 2003**

OFFICERS

Richard Clark,
President
Paul Conibear,
Vice President - Operations
Sandy Kansky,
Corporate Secretary
Wanda Lee,
Controller/Treasurer

DIRECTORS

Lukas Lundin
* Richard J. Bailes
* Richard Clark
Paul Conibear
* C. Ashley Heppenstall
Michael D. McInnis

* Audit Committee

AUDITORS

Staley Okada & Partners
Vancouver, British Columbia, Canada

BANKERS

Canadian Imperial Bank of Commerce
Vancouver, British Columbia, Canada

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Suite 2101 - 885 West Georgia Street
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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: 12,540,894 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