

AUDITORS' REPORT

To the Shareholders of Champion Resources Inc.:

We have audited the consolidated balance sheet of Champion Resources Inc. as at 31 December 1999 and 1998 and the consolidated statements of loss and deficit, resource property costs 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 audit.

We conducted our audit in accordance with 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 31 December 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

STALEY, OKADA, CHANDLER & SCOTT (signed), CHARTERED ACCOUNTANTS

Burnaby, B.C.
30 April 2000 (Except as to Note 11 which is as of 11 May 2000)

STALEY, OKADA, CHANDLER & SCOTT
CHARTERED ACCOUNTANTS

Consolidated Balance Sheet

As at 31 December

Canadian Funds

ASSETS	1999	1998
Current		
Cash	\$ 608,345	\$ 54,501
Accounts receivable	209,146	152,334
Prepaid expenses	86,333	65,054
	<u>903,824</u>	<u>271,889</u>
Cash in Trust		
Reclamation bond	24,621	24,885
Resource Property Costs - Statement 3 (Notes 4 and 5)	7,125,207	4,084,579
Capital Assets (Note 6)	75,073	16,833
	<u>\$ 8,128,725</u>	<u>\$ 4,398,186</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 397,084	\$ 184,664
Due to related party (Note 8f)	2,547	61,332
	<u>399,631</u>	<u>245,996</u>
Continued Operations (Note 1)		
Contingencies and Commitments (Notes 13 and 14)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)		
Authorized:		
100,000,000 common shares without par value		
Issued and fully paid:		
28,097,440 (19,686,940) shares	12,755,531	8,350,126
Deficit - Statement 2	(5,026,437)	(4,197,936)
	<u>7,729,094</u>	<u>4,152,190</u>
	<u>\$ 8,128,725</u>	<u>\$ 4,398,186</u>

ON BEHALF OF THE BOARD:

Michael D. McInnis (signed), Director

Richard J. Bailes (signed), Director

Consolidated Statement of Loss and Deficit

For the Years Ended 31 December

Canadian Funds

	1999		1998
Revenue			
Interest and other	\$ 70,663	\$	19,979
Administrative Expenses			
Legal, audit and other professional fees	146,109		86,816
Investor relations (Note 15)	145,822		44,237
Office and administration	106,364		44,723
Management fees	105,298		99,090
Consulting fees	91,000		-
Office rent	58,364		15,600
Travel and accommodation	54,760		34,123
Salaries and benefits	32,330		30,666
Bank charges and interest	14,129		5,305
Filing fees	13,898		8,672
Transfer agent fees	11,634		7,880
B.C. capital tax	8,478		6,217
Shareholder information	7,272		6,310
Amortization	4,514		5,275
Property investigation	1,449		5,293
Foreign exchange gain	(15,648)		(4,879)
	785,773		395,328
Loss Before the Undernoted	715,110		375,349
Mineral property abandoned	113,054		-
Loss on deposit of capital assets	337		-
Loss on theft of equipment	-		13,922
	828,501		389,271
Loss Before Extraordinary Item	828,501		389,271
Equipment loss (Note 12)	-		68,515
	828,501		457,786
Loss for the Year	828,501		457,786
Deficit - Beginning of year	4,197,936		3,740,150
Deficit - End of Year	\$ 5,026,437	\$	4,197,936
Loss Per Share			
- Before extraordinary item	\$ 0.03	\$	0.02
- After extraordinary item	\$ 0.03	\$	0.03

Consolidated Statement of Resource Property Costs

For the Years Ended 31 December

Canadian Funds

	1999	1998
Direct - Mineral		
Takatu Project, Guyana		
Acquisition/option payments	\$ 36,632	\$ 64,046
Legal, licenses and taxes	19,973	6,733
Office and administration	6,533	23,865
Amortization	2,015	7,651
Camp and general	1,740	36,151
Geological and geochemical	293	6,434
Transportation	85	5,394
Drilling and trenching	-	66
Equipment and maintenance (recovery)	-	(11,183)
	<u>67,271</u>	<u>139,157</u>
Guinea Bissau Reconnaissance, West Africa		
Geological and geochemical	-	63,356
Office and administration	-	24,312
Legal, licenses and taxes	-	11,944
Camp and general	-	8,683
Amortization	-	8,564
Transportation	-	7,098
Equipment and maintenance	-	197
	<u>-</u>	<u>124,154</u>
Farim Project, Guinea Bissau, West Africa		
Geological and geochemical	1,420,053	185,941
Drilling	673,924	239,513
Transportation	456,918	62,226
Office and administration	295,435	11,008
Equipment and maintenance	73,578	8,903
Acquisition/option payments	72,226	-
Camp and general	59,785	12,754
Amortization	13,380	-
Legal, licences and taxes	5,353	2,155
	<u>3,070,652</u>	<u>522,500</u>
El Rubi Property, Mexico		
Geological and geochemical	15,365	74,043
Office and administration	394	517
	<u>15,759</u>	<u>74,560</u>
Costs for the Year	3,153,682	860,371
Balance - Beginning of year	4,084,579	3,224,208
Mineral property written down	(113,054)	-
Balance - End of Year	\$ 7,125,207	\$ 4,084,579

Consolidated Statement of Cash Flows

For the Years Ended 31 December

Canadian Funds

Cash Resources Provided By (Used In)	1999	1998
Operating Activities		
Interest and other revenue received	\$ 70,663	\$ 19,979
Cash paid for management fees	(105,298)	(99,090)
Cash paid for professional fees	(146,109)	(86,816)
Cash paid to suppliers	(529,852)	(200,947)
Changes in non-cash working capital		
Accounts receivable	(56,812)	(142,316)
Accounts payable and accrued liabilities	6,194	34,237
	<u>(761,214)</u>	<u>(474,953)</u>
Investing Activities		
Cash paid for resource property costs	(3,122,732)	(819,406)
Proceeds on sale (purchase) of capital assets, net	(78,486)	42,219
Reclamation bond	264	(2,880)
Changes in non-cash working capital		
Prepaid expenses	(21,279)	(62,705)
Accounts payable and accrued liabilities	206,226	(43,241)
Due to related party	(58,785)	61,332
	<u>(3,074,792)</u>	<u>(824,681)</u>
Financing Activities		
Shares issued for cash	<u>4,389,850</u>	<u>545,550</u>
Net Increase (Decrease) in Cash	553,844	(754,084)
Cash position - Beginning of year	<u>54,501</u>	<u>808,585</u>
Cash Position - End of Year	\$ 608,345	\$ 54,501
Supplemental Schedule of Non-Cash Transactions		
Shares issued for resource property costs	\$ 15,555	\$ 24,750
Shares issued for loan bonus	-	3,200
Amortization of capital assets	19,909	21,490
Loss on disposal of capital assets	337	82,437
Mineral property written down	<u>113,054</u>	<u>-</u>

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

1. Continued Operations

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The company has incurred significant operating losses over the past fiscal years, has no source of operating revenue, and currently has insufficient funds to complete its mineral property projects. These factors are inherent in the mineral exploration industry. In addition, the company has yet to receive approval for its Farim project financing (*Note 13b*) and the country of Guinea Bissau, where the company's major project is, has experienced political unrest.

The company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or debt financing, future profitable production or proceeds from the disposition of its mineral interests and future political stability in Guinea Bissau. Management is presently engaged in the process of securing additional financing through equity financing and debt financing (*Notes 11 and 13b*). In addition, a new government was elected in Guinea Bissau in November 1999 which, has returned reasonable political stability to the country.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions taken or planned, as described above, and the current political stability in Guinea Bissau will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used.

2. Significant Accounting Policies

a) 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. (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.

b) Proportionate Consolidation

The company accounts for its interest in the Takatu Joint Venture under the proportionate consolidation method of accounting. Under this method of accounting, the company records in its accounts its proportionate share of revenues, expenses, liabilities and assets of the joint venture.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

2. Significant Accounting Policies - *Continued*

c) Conversion of Foreign Currency

The accounts of the company's foreign operations are translated into Canadian dollars on the following basis:

- 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.
- Non-monetary assets and liabilities at historical exchange rates.
- 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.

d) 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.

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enable the holder to purchase a share in the company.

e) Amortization

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

- Computer equipment - 30% declining-balance method
- Furniture and fixtures - 20% declining-balance method
- Mining equipment - 20% straight-line method

One-half of the normal rate is applied in the year of acquisition.

f) Mineral

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.

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

2. Significant Accounting Policies - *Continued*

f) **Mineral** - *Continued*

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.

g) **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.

h) **Loss Per Share**

Basic loss per share computations are based on the weighted average number of shares outstanding during the year. Fully diluted loss per share has not been presented as shares issuable on stock options and warrants have an anti-dilutive effect on the calculation of loss per share.

i) **Management's Estimates**

The preparation of financial statements in conformity with 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.

3. Fair Value of Financial Instruments

The company's financial instruments consist of cash, accounts receivable, cash in trust, accounts payable and accrued liabilities, and due to related party. 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.

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

4. Resource Property Costs

Details of cumulative expenditures are as follows:

	Acquisition	Exploration	1999	1998
Mineral Properties				
Takatu Project, Guyana	\$ 337,352	\$ 2,397,401	\$ 2,734,753	\$ 2,667,482
Guinea Bissau Reconnaissance, West Africa	-	561,758	561,758	561,758
Farim Project, Guinea Bissau, West Africa	139,823	3,688,873	3,828,696	758,044
El Rubi Property, Mexico	-	-	-	97,295
	<u>\$ 477,175</u>	<u>\$ 6,648,032</u>	<u>\$ 7,125,207</u>	<u>\$ 4,084,579</u>

5. Resource Property Agreements

a) Takatu Project, Guyana

Effective 1 January 1998, the company entered into a joint venture agreement encompassing their interest in the Monosse #1, Tenapu, Sparrock and Gomes claims in Northwest Guyana.

The company earned a participating interest in the joint venture by incurring in excess of \$2,500,000 of expenditures on the mineral claims by 31 December 1997. The sole objective of the joint venture is to further explore and develop its mineral claims in Guyana. The company has been appointed as manager of the joint venture.

The joint venture agreement provides that the company (41.82%) and TNR Resources Ltd. ("TNR") (40.18%) must carry the participating interest of the remaining joint venture partner (18%) to an expenditure limit of \$5,000,000. Should the company continue to participate in the joint venture to this extent, it would be obligated to contribute to the joint venture \$459,000 on behalf of the joint venture partner. This amount will be treated as an additional resource property cost as it is incurred.

The joint venture agreement also provides that the company may be required to fund the first \$750,000 of TNR's contributions to the joint venture. These contributions will be based on work programs approved by the joint venture and will be carried by the company on the following basis:

Prior to the date of implementation of work programs of the joint venture, TNR must either: a) elect to fund its required contributions to the joint venture and face dilution for failure to meet its pro rata share, or b) elect to be carried by the company. Should TNR elect to be carried, then the company must elect, prior to commencement of the work programs of the joint venture, to either:

- i) treat the advances to TNR as a loan bearing interest at bank prime rate and due within one year of the implementation date of the work programs; or
- ii) subscribe for a private placement of a convertible security of TNR.

In the event that the advances are treated as a loan, and TNR is unable to repay the loan within the one-year period, then TNR's interest in the joint venture will be diluted immediately.

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

5. Resource Property Agreements - *Continued*

a) Takatu Project, Guyana - *Continued*

To 31 December 1999, there have been no work programs implemented. As a condition of signing the joint venture agreement, the company issued 102,000 shares to a joint venture partner during the year.

All of the claims comprising the Takatu project are held in trust for the joint venture partners by third parties who are citizens of Guyana. The joint venture's interest in all of the properties is subject to various royalty rights as well as a royalty agreement to be negotiated with the Government of Guyana.

b) Guinea Bissau Reconnaissance, West Africa

By an agreement dated 15 January 1997, with the Government of the Republic of Guinea Bissau, West Africa, the company received the exclusive right to evaluate and explore the mineral potential (the period of research) in the country for a period of two years. At its option, the company was to incur cumulative exploration expenditures of U.S. \$460,000 over two years (incurred) and provide the government with the technical findings of its research. The government has agreed to grant the company Concessions of Exploration for deposits which the company locates during the term of the agreement.

Effective 7 June 1998, the company invoked the Force Majeure clause of its agreement due to civil and political unrest in the country. Although peaceful conditions again prevail in the country, the Force Majeure remains in effect on the Reconnaissance project as at the date of these statements.

c) Farim Project, Guinea Bissau, West Africa

As a condition of the 15 January 1997 agreement (*Note 5b*), the company received the exclusive right to evaluate the phosphate deposits of Farim for a period of six months (completed).

By an agreement dated 8 August 1997, the company received a Concession of Exploration allowing for additional research and exploration work for a further period of one year, renewable for successive one-year terms. The company is required to pay U.S. \$48,614 in each year that the Concession of Exploration is renewed (paid).

In the event that the company satisfies the terms of the Concession of Exploration, the company can convert the Concession of Exploration into a Mining Lease which will be renewable, at the company's sole discretion, for one-year periods.

Effective 7 June 1998, the company invoked the Force Majeure clause of its agreement due to civil and political unrest in the country. Effective 27 September 1999, the company rescinded the Force Majeure and resumed its activities under its Concession of Exploration.

d) El Rubi Property, Mexico

The company staked certain claims in the Guadalajara region of Mexico. During the year, the company wrote off the carrying value of these claims.

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

6. Capital Assets

Details are as follows:

	Cost	Accumulated Amortization	1999 Net Book Value	1998 Net Book Value
Computer equipment	\$ 28,168	\$ 12,033	\$ 16,135	\$ 12,308
Furniture and fixtures	3,051	178	2,873	-
Mining equipment	73,475	17,410	56,065	4,525
	\$ 104,694	\$ 29,621	\$ 75,073	\$ 16,833

7. Share Capital

a) During the year ended 31 December, the following shares were issued from treasury:

	1999		1998	
	Shares	Amount	Shares	Amount
Private placements	5,112,500	\$ 3,085,000	4,442,000	\$ 1,569,700
Stock options exercised	805,000	135,550	175,000	26,250
Warrants exercised	2,391,000	1,169,300	-	-
Property acquisition	102,000	15,555	49,500	24,750
Loan bonus	-	-	20,000	3,200
	8,410,500	\$ 4,405,405	4,686,500	\$ 1,623,900

b) During the year ended 31 December 1998, the directors approved a stock option plan and reserved 3,349,388 shares or 20% of the company's outstanding capital for such purpose. 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. During the year ended 31 December 1999, the company reserved an additional 1,487,500 shares for issuance under the plan.

As at 31 December 1999 the following director and employee share purchase options were outstanding:

Number	Price per Share	Expiry Date
80,000	\$ 0.15	13 September 2000
40,000	\$ 0.15	22 April 2001
250,000	\$ 0.15	1 April 2003
250,000	\$ 0.54	23 December 2003
250,000	\$ 0.57	13 January 2004
60,000	\$ 0.63	22 January 2004
935,000	\$ 0.52	3 March 2004
150,000	\$ 0.56	31 March 2004
50,000	\$ 0.63	8 April 2004
35,000	\$ 0.74	2 June 2004
200,000	\$ 0.77	10 June 2004
100,000	\$ 1.06	30 June 2004
25,000	\$ 0.94	20 July 2004
100,000	\$ 0.93	7 October 2004
150,000	\$ 0.82	30 November 2001
2,675,000		

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

7. Share Capital - Continued

b) - Continued

As at 31 December 1999, 1,429,000 options had vested and were exercisable and 1,246,000 options had yet to vest. The weighted average price per option was \$0.56 and the weighted average remaining contractual life of the options was 3.85 years.

c) As at 31 December 1999 the following share purchase warrants were outstanding:

	Number of Warrants	Common Share Entitlement	Exercise Price	Expiry Date
Private placement	290,000	290,000	\$ 0.25	10 September 2000
Private placement	802,500	802,500	\$ 0.40	15 March 2000
			\$ 0.50	15 March 2001
Private placement	3,000,000	3,000,000	\$ 0.50	9 April 2000
			\$ 0.60	9 April 2001
Private placement	300,000	300,000	\$ 0.70	19 May 2000
			\$ 0.80	19 May 2001
Private placement	1,000,000	500,000	\$ 1.20	19 July 2000
			\$ 1.35	19 July 2001
	<u>5,392,500</u>	<u>4,892,500</u>		

8. Related Party Transactions

In addition to related party transactions reported elsewhere in these consolidated financial statements, the company conducted the following transactions, at values approved by the directors, during the year:

- Paid or accrued \$80,000 to a director for financial consulting fees (Note 14d).
- Paid directors, and companies controlled by directors and officers \$270,754 for geological consulting fees and administrative management fees.
- Paid director fees of \$4,454 to directors of subsidiaries.

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

8. Related Party Transactions - Continued

- d) Share transactions during the year involving directors, directors of subsidiaries, officers, and persons related to directors and officers are as follows:

		Shares	Price	
i) Shares issued:	Private Placements	262,500	\$ 0.40	
		300,000	\$ 0.70	
		750,000	\$ 1.05	
	Warrants exercised	450,000	\$ 0.60	
		679,500	\$ 0.80	
		362,500	\$ 0.20	
	Stock options exercised	460,000	\$ 0.15	
<hr/>				
ii) Options granted		150,000	\$ 0.57	
		700,000	\$ 0.52	
		100,000	\$ 0.56	
		200,000	\$ 0.77	
		100,000	\$ 1.06	
		25,000	\$ 0.94	
		100,000	\$ 0.93	
		150,000	\$ 0.82	
	Warrants issued	262,500	*	\$ 0.40
			**	\$ 0.50
		300,000	*	\$ 0.70
			**	\$ 0.80
		500,000	*	\$ 1.20
	**	\$ 1.35		

* if exercised within the first year

** if exercised within the second year

- e) Accounts receivable and accounts payable include \$46,861 due from, and \$17,486 due to, respectively, a company with directors in common. Accounts payable includes \$89,529 for various amounts due to directors and companies controlled by directors and officers.
- f) The amount due to a related party represents a temporary loan of U.S. \$1,765 by a director of a subsidiary. The advance bears no interest and is due on demand.

9. Income Taxes

- a) The company has income tax losses carried forward of approximately \$937,000 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:

Date	Amount
2005	\$ 269,000
2006	668,000
	<hr/>
	\$ 937,000

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

9. Income Taxes - Continued

- b) The company has accumulated deferred resource property expenditures of approximately \$4,700,000 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.
- c) The company has incurred losses for tax purposes in the United States of approximately U.S. \$554,000 which may be used to reduce future taxable income in the United States. The income tax benefits, if any, of these losses which begin to expire in 2003, 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 Guyana and Guinea Bissau as follows:

	Canada	Guyana	Guinea Bissau	United States	Barbados	Mexico	Eliminations	Consolidated
31 December 1999								
Segment revenue	\$ 69,430	\$ -	\$ -	\$ 1,233	\$ -	\$ -	\$ -	\$ 70,663
Revenue from transfers between geographic segments	\$ 1,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,967)	\$ -
Segment operating income (loss)	\$ (957,043)	\$ (920)	\$ -	\$ 90,130	\$ 168,034	\$ (126,735)	\$ (1,967)	\$ (828,501)
Identifiable assets	\$ 825,345	\$ 2,737,262	\$ 5,603,676	\$ 24,822	\$ 103,558	\$ -	\$ (1,165,938)	\$ 8,128,725
31 December 1998								
Segment revenue	\$ 18,722	\$ -	\$ -	\$ 1,257	\$ -	\$ -	\$ -	\$ 19,979
Revenue from transfers between geographic segments	\$ 1,476,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,476,314)	\$ -
Segment operating income (loss) before extraordinary item	\$ 1,292,252	\$ -	\$ -	\$ (275,668)	\$ (146,321)	\$ 9,271	\$ (1,254,883)	\$ (375,349)
Segment operating income (loss) after extraordinary item	\$ 1,223,736	\$ (13,921)	\$ -	\$ (275,668)	\$ (146,321)	\$ 9,271	\$ (1,254,883)	\$ (457,786)
Identifiable assets	\$ 215,804	\$ 2,676,309	\$ 2,479,471	\$ 25,297	\$ 52,112	\$ 204,076	\$ (1,254,883)	\$ 4,398,186

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

11. Subsequent Events

Subsequent to 31 December 1999, the company:

- a) Issued 1,870,000 shares to complete a private placement at \$0.61 per share for total cash proceeds of \$1,140,700. The issue included 1,870,000 warrants exercisable at \$0.76 for a period of two years. Of these shares, 175,000 were issued to persons related to the company.
- b) Issued 100,000 shares to a director upon exercise of stock options for total cash proceeds of \$15,000.
- c) Issued 580,500 shares upon exercise of warrants for total cash proceeds of \$221,950. Of these shares, 90,500 were issued to directors.
- d) Granted 1,350,000 share purchase options to directors and employees at exercise prices ranging from \$0.70 to \$0.76 for periods of five years.

12. Extraordinary Item

During the year ended 31 December 1998 the company lost various capital assets during the civil unrest in Guinea Bissau, West Africa. No recovery of these assets is expected.

Details are as follows:

Trucks	\$	57,397
Field equipment		28,248
Less: Accumulated amortization		<u>(17,130)</u>
	\$	<u>68,515</u>

13. Contingencies

a) Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in dates has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the company, including those related to customers, suppliers, or other third parties, have been fully resolved.

The company has concluded that the expected cost and availability of resources to recover information processed as a result of the year 2000 problem will not have a material effect on the company's operations.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

13. Contingencies - *Continued*

- b) During the year, the company made application for a U.S. \$112 million non-recourse loan for the development of the company's Farim phosphate deposit. The loan is subject to various approvals and conditions precedent as well as acceptable results from a due diligence program to be completed by the company. To date, the loan has not been approved.

In anticipation of the loan being approved by the South African lenders, the company has entered into a number of agreements with mining and related contractors to provide for the eventual design, building, and operation of a mine. The commitments arising from such contracts are contingent upon the South African lenders approving the credit facility, except as provided in note 14.

- c) By an agreement dated 1 November 1998, the company has retained a third-party company to act as its agent to identify and approach potential investors, purchasers or joint venture partners to provide sufficient funding to place the Farim project into a defined level of commercial production.

The agent shall be entitled to a cash success fee of 7% of any financing arrangements accepted by the company and upon raising the total funds required to place the project into commercial production it shall also receive warrants which entitle the agent to acquire 2,500,000 shares of the company at \$0.20 for a period of 5 years from that date.

The agency commences 1 November 1998 and expires 31 October 2000. A director and shareholder of the agent is also a director of a subsidiary of the company.

- d) The company has agreed to pay a contractor corporation a success fee of \$50,000 for negotiating off-take agreements (in the form of letters of intent) for sales of phosphate rock to be produced at its Farim project. The contractor has negotiated such a letter of intent and has invoiced the company for the success fee. The company maintains the position that the fee is not payable until the off-take agreement is accepted by the South African lenders. Because the company's application for financing has not been approved (*Note 13b*), this fee has not been recorded in the accounts.
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14. Commitments

- a) The company has retained a project manager for its Farim project at a annual cost of U.S. \$120,000 per year from 1 December 1999. The term of the agreement is two years and provides for certain milestone incentives of up to U.S. \$60,000 to be paid in addition to the base contract amount.
- b) The company has committed to issue, at a future date, 20,000 shares from treasury pursuant to a 29 January 1999 agreement which provides the company with various financial and consulting services. The issuance of these shares is subject to regulatory approval.
- c) The company has contracted for certain preliminary design services relating to future facilities at its Farim project. The contractor has agreed to provide services valued at U.S. \$45,000 for phase I of the project. Should the project not proceed to phase II or should the contractor not be retained for future phases, then the company is committed to pay the contractor a total of U.S. \$45,000 for its phase I services. Should the project proceed to phase II and the contractor be retained for future phases of the design and building, then the fee for the phase I services will be waived.

Champion Resources Inc.

Notes to Consolidated Financial Statements

31 December 1999 and 1998

Canadian Funds

14. Commitments - *Continued*

- d) During the year, the company agreed to pay financial consulting fees to a director of the company. The agreement provides for a fee of \$10,000 per month from 1 May 1999 to 30 April 2000.

15. Investor Relations

During the year ended 31 December, the company incurred the following expenses related to its investor relations activities:

	1999		1998
Investor presentations	\$ 72,425	\$	921
Office, postage and courier	17,096		1,403
Printing and reproduction	13,931		3,865
Consultants	42,370		38,048
	<u>\$ 145,822</u>	<u>\$</u>	<u>44,237</u>
