

Champion Minerals Inc.

(an exploration stage company)

Financial Statements

June 30, 2010

(unaudited)

Management's Comments on Unaudited Interim Consolidated Financial Statements

These unaudited interim financial statements of Champion Minerals Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited interim financial statements have not been reviewed by the Company's external auditors.

Champion Minerals Inc.

(an exploration stage company)

Balance Sheets

	As at June 30, 2010 \$ (unaudited)	As at March 31, 2010 \$
Assets		
Current		
Cash	14,833,854	6,225,219
Receivable	588,786	401,766
Prepaid expenses and deposit	286,949	178,772
	15,709,589	6,805,757
Mineral resource properties (note 3)	11,660,586	7,621,010
	<u>27,370,174</u>	<u>14,426,767</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	1,240,774	2,070,525
Future income taxes	94,000	326,000
	<u>1,334,774</u>	<u>2,396,525</u>
Shareholders' equity		
Capital stock (note 4)	27,170,179	15,584,671
Warrants (note 4)	5,025,234	2,035,794
Contributed surplus (note 4)	1,047,429	1,093,238
Deficit	(7,207,442)	(6,683,461)
	<u>26,035,400</u>	<u>12,030,241</u>
	<u>27,370,174</u>	<u>14,426,767</u>

See accompanying notes to financial statements

Subsequent events (notes 3 and 10)

On behalf of the Board:

Thomas Larsen
Director

Paul Ankorn
Director

Champion Minerals Inc.

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Statements of Loss, Comprehensive Loss and Deficit

	3 months ended June 30,		Cumulative since
	2010	2009	March 14,
	\$	\$	2006
	(unaudited)	(unaudited)	(unaudited)
Expenses			
Professional fees	70,078	12,605	507,458
Consulting fees	87,500	35,000	1,152,993
Stock-based compensation	-	-	1,085,581
General and administrative	75,994	44,461	739,223
Investor relations	192,777	91,499	628,196
Travel	103,482	41,934	446,162
Part XII.6 tax	-	-	74,069
	<u>529,831</u>	<u>225,499</u>	<u>4,633,681</u>
Loss before the following item	(529,831)	(225,499)	(4,633,681)
Management fees	-	42,000	60,794
Interest	5,849	-	5,849
Loss before income taxes	<u>(523,981)</u>	<u>(183,499)</u>	<u>(4,567,038)</u>
Future income tax recovery	-	-	1,047,100
Loss and comprehensive loss for the period	<u>(523,981)</u>	<u>(183,499)</u>	<u>(3,519,938)</u>
Deficit, beginning of period	(6,683,461)	(5,122,096)	(3,687,504)
Deficit, end of period	<u>(7,207,442)</u>	<u>(5,305,596)</u>	<u>(7,207,442)</u>
Loss per share-basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>	
Weighted average number of shares outstanding - basic and diluted	<u>49,719,995</u>	<u>20,023,535</u>	

See accompanying notes to financial statements

Champion Minerals Inc.
(an exploration stage company)
Statements of Cash Flows

	3 months ended June 30,		Cumulative
	2010	2009	since
	\$	\$	March 14,
	(unaudited)	(unaudited)	2006
			\$
			(unaudited)
Cash provided by (used in)			
Operating activities			
Loss for the period	(523,981)	(183,499)	(3,519,938)
Items not affecting cash			
Stock-based compensation	-	-	1,085,581
Future income tax recovery	-	-	(1,047,100)
Changes in non-cash operating working capital			
Receivable	(187,020)	24,593	(588,786)
Prepaid expenses and deposit	(108,177)	(51,194)	(286,949)
Accounts payable and accrued liabilities	787,263	115,241	1,225,178
	<u>(31,915)</u>	<u>(94,859)</u>	<u>(3,132,014)</u>
Financing activities			
Issue of common shares	12,190,000	-	25,379,878
Common shares to be issued	-	86,750	-
Exercise of stock options	60,750	-	175,125
Exercise of warrants	1,408,032	-	3,120,932
Loan payable	-	-	122,880
Share issue costs	(929,639)	-	(1,942,158)
	<u>12,729,143</u>	<u>86,750</u>	<u>26,856,657</u>
Investing activities			
Mineral resource properties	(4,088,593)	(674,403)	(8,890,789)
Net increase in cash			
	8,608,635	(682,512)	14,833,854
Cash, beginning of period	6,225,219	1,030,760	-
Cash, end of period	<u>14,833,854</u>	<u>348,247</u>	<u>14,833,854</u>
Non-cash transactions			
Issue of common shares for mineral resource properties	1,568,000	-	
Supplementary information			
Interest paid	-	-	
Income taxes paid	-	-	

See accompanying notes to financial statements

Champion Minerals Inc.

(an exploration stage company)

Notes to Financial Statements

June 30, 2010

(unaudited)

1. Nature of operations

Champion Minerals Inc. (the "Company") was incorporated under the laws of Ontario. The Company operates primarily in the exploration and development of iron ore mineral properties in Canada. The Company considers that it entered the exploration stage on March 14, 2006 upon acquiring an option to acquire an interest in a mineral resource property.

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for mineral resource properties do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource properties.

The Company is exposed to commodity price risk with respect to iron ore commodity prices. A significant decline in iron ore commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

As at June 30, 2010, the Company had working capital of \$14,468,815, which included cash of \$14,833,854. While the Company has sufficient funds to meet its current commitments, the Company will require additional funding to fund its operations and the exploration of its mineral resource properties. Without additional funding, there is substantial doubt as to the Company's ability to continue as a going concern. Within the next 12 months, the Company will be seeking to raise the necessary capital to meet its funding requirements. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available.

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

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Accounting presentation and disclosures

These financial statements of the Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual financial statements except as outlined below under "Accounting changes". Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these financial statements should be read in conjunction with the annual financial statements.

Accounting changes

On April 1, 2011, the Company will adopt CICA Handbook Section 1582, "Business Combinations", which will replace Section 1581, "Business Combinations". The new standard establishes standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interest in the acquiree and goodwill acquired in a business combination.

On April 1, 2011, the Company will adopt CICA Handbook Sections 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests", which together, will replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these new standards to have an effect on the Company's financial statements.

International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian generally accepted accounting principles will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended June 30, 2011. The transition date of April 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Mineral resource properties

	March 31, 2010	Acquisition costs	Exploration	June 30, 2010
	\$	\$	\$	\$
Powderhorn	1,303,506	-	22,606	1,326,112
Attikamagen	439,398	-	-	439,398
Gullbridge	396,166	-	23,038	419,204
Pterodactyl	63,800	-	-	63,800
Fermont	3,086,204	2,168,000	10,241	5,264,445
Bellechase	31,300	-	-	31,300
Harvey-Tuttle	1,412,629	-	1,714,663	3,127,292
Fire Lake North	888,007	-	101,028	989,035
	7,621,010	2,168,000	1,871,576	11,660,586

Option for the Fermont Property

The Company has an option to earn a 70% interest in the Fermont Property which consists of 16 claim blocks covering an area of 385 square kilometres situated in northeastern Quebec. In order to earn its interest, the Company must make the option payments, issue common shares and incur exploration expenditures as follows:

	Option payments	Common shares	Exploration expenditures
	\$		\$
To earn a 65% interest			
Paid and issued	100,000	700,000	-
November 27, 2008 (paid)	100,000	-	-
May 27, 2009 (paid, issued and incurred)	200,000	300,000	750,000
May 27, 2010 (paid, issued and incurred)	200,000	400,000	-
May 27, 2011 (paid, issued and incurred)	200,000	600,000	-
May 27, 2012 (paid, issued and incurred)	200,000	900,000	5,250,000
	1,000,000	2,900,000	6,000,000
To increase to a 70% interest in any of the 16 properties which comprise the Fermont Property	-	500,000 (one time issuance)	All necessary expenditures to completion of a positive bankable feasibility study

On May 27, 2010, the Company made an option payment of \$200,000 and issued 400,000 common shares due on May 27, 2010. On June 8, 2010, the Company made the option payments of \$400,000 and issued 1,500,000 common shares which were due on May 27, 2011 and May 27, 2012 and provided notice to the optionors that the Company had incurred exploration expenditures of \$6,000,000, thereby earning its 65% interest the Fermont Property.

On July 12, 2010, the Company increased its interest in the Fermont Property to 82.5% by acquiring a 17.5% interest in the Fermont Property for the payment of \$2,000,000 (\$1,000,000 payable on closing and instalments of \$500,000 payable on the dates that are 12 months and 18 months after closing) and the issue of 4,000,000 common shares.

4. Capital stock

Share capital consists of the following issued and outstanding common shares:

	Number of shares	\$
Balance as at March 31, 2010	41,543,313	15,584,671
Issued for mineral resource properties (note 3)	1,900,000	1,568,000
Private placement of units	10,600,000	12,190,000
Fair value of warrants issued	-	(3,388,114)
Exercise of stock options	150,000	60,750
Fair value of stock options exercised	-	45,808
Exercise of warrants	2,146,684	1,408,032
Fair value of warrants exercised	-	398,671
Share issue costs, net of tax	-	(697,639)
Balance as at June 30, 2010	56,339,997	27,170,179

Private placement of units

On April 30, 2010, the Company completed a private placement of 10,600,000 units at a price of \$1.15 per unit for gross proceeds of \$12,190,000. Each unit consists of one common share and one-half of one common share warrant entitling the holder to purchase one common share at a price of \$1.50 per share until April 30, 2012.

The fair value of the 5,300,000 common share purchase warrants was \$3,388,114 calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.86%
Expected volatility	124%
Expected life of warrants	2 years
Expected dividend yield	Nil

Stock options

The Company may grant up to 4,075,000 stock options (March 31, 2010 – 4,075,000) to directors, officers, employees and consultants.

On August 10, 2010, subject to shareholder and securities regulatory approvals, the Company amended its stock option plan to allow the Company to grant up to 12,000,000 stock options.

A summary of the Company's fixed stock options outstanding and exercisable at June 30, 2010 is presented below:

	Number of options	Weighted- average exercise price
Balance, March 31, 2009	1,477,500	0.50
Granted	2,227,500	0.32
Exercised	(290,000)	0.32
Cancelled	(152,500)	0.45
Balance, March 31, 2010	3,262,500	0.40
Exercised	(130,000)	0.41
Balance, June 30, 2010	3,132,500	0.40

A summary of the Company's outstanding stock options as at June 30, 2010 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
\$0.45	January 10, 2013	1,000,000
\$0.70	May 16, 2013	310,000
\$0.30	September 16, 2014	1,420,000
\$0.33	September 24, 2014	152,500
\$0.405	November 9, 2014	250,000
		3,132,500

Subject to shareholder and regulatory approval, the Company granted the following stock options:

Commitment to grant stock options	January 14, 2010	February 2, 2010	March 2, 2010
Options to be granted	2,200,000	300,000	550,000
Exercise price	\$0.80	\$0.85	\$1.00
Expiry date	January 14, 2015	February 2, 2015	March 2, 2015

The fair value of these stock options will be recorded as stock-based compensation when shareholder and regulatory approval has been received.

Warrants

A summary of the Company's warrants is presented below:

	Common share purchase warrants			Unit warrants			Total
	Number of warrants	Weighted-average exercise price	\$	Number of warrants	Weighted-average exercise price	\$	\$
Balance, March 31, 2009	3,948,100	0.68	653,445	-	-	-	653,445
Issued	8,775,907	0.70	2,003,475	333,360	0.54	96,308	2,099,783
Exercised	(3,360,000)	0.51	(456,291)	-	-	-	(456,291)
Expired	(1,773,100)	0.71	(261,143)	-	-	-	(261,143)
Balance, March 31, 2010	7,590,907	0.76	1,939,486	333,360	0.54	96,308	2,035,794
Issued	5,300,000	1.50	3,388,114	-	-	-	3,388,114
Exercised	(2,096,684)	0.65	(398,671)	-	-	-	(398,671)
Balance, June 30, 2010	10,794,223	1.15	4,928,929	333,360	0.54	96,308	5,025,237

A summary of the Company's warrants outstanding at June 30, 2010 is presented below:

Common share warrant exercise price	Expiry date	Warrants outstanding
\$0.70	June 5, 2010	25,000
\$0.85	June 30, 2011	2,240,706
\$0.85	June 30, 2011	90,017
\$0.75	July 11, 2011	1,850,000
\$0.75	July 11, 2011	38,500
\$0.60	July 13, 2011	350,000
\$0.90	August 22, 2011	900,000
\$1.50	April 30, 2012	5,300,000
		10,794,223
Unit warrant exercise price		
\$0.55	June 30, 2011	263,360
\$0.50	July 11, 2011	70,000
		333,360

Contributed surplus

	\$
Balance, March 31, 2009	707,403
Fair value of stock options exercised	(117,402)
Stock-based compensation	503,236
Balance, March 31, 2010	1,093,238
Fair value of stock options exercised	(45,808)
Balance, March 31, 2010	1,047,430

5. Capital disclosures

Capital of the Company consists of the equity attributable to the common shareholders, comprised of share capital, warrants, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the period.

6. Financial instruments and risk management

Fair value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair values estimates are based on quoted market values and other valuation methods.

The carrying value of cash and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

Risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 5. Accounts payable are all due within 30 days.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

7. Related party transactions

For the 3 months ended June 30, 2010, consulting fees included \$69,000 (2009 - \$24,000) paid to companies controlled by a director and two officers of the Company; mineral resource properties included \$325,763 (2009 - \$225,261) paid to companies controlled by two directors and two officers of the Company; share issue costs included \$78,965 (2009 - \$32,932) and legal fees included \$62,578 (2009 - \$7,354) paid to a law firm controlled by a director. Accounts payable and accrued liabilities includes \$209,865 (March 31, 2010 - \$678,603) payable ten directors and officers of the Company or companies controlled by them. These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.