

INLET RESOURCES LTD.

FINANCIAL STATEMENTS

December 31, 2004 and 2003

MOEN AND COMPANY

CHARTERED ACCOUNTANTS

Member:

Canadian Institute of Chartered Accountants
Institute of Chartered Accountants of British Columbia
Institute of Management Accountants (USA) (From 1965)

Registered with:

Public Company Accounting Oversight Board (USA) (PCAOB)
Canadian Public Accountability Board (CPAB)
Canada - British Columbia Public Practice Licence

Securities Commission Building

PO Box 10129, Pacific Centre
Suite 1400 – 701 West Georgia Street
Vancouver, British Columbia
Canada V7Y 1C6

Telephone: (604) 662-8899

Fax: (604) 662-8809

Email: moenca@telus.net

AUDITORS' REPORT

To the Shareholders of
Inlet Resources Ltd.

We have audited the Balance Sheets of Inlet Resources Ltd. as at December 31, 2004 and December 31, 2003 and the Statements of Income, Retained Earnings (Deficit), and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and December 31, 2003 and the results of its operations and the changes in its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“Moen and Company”

Vancouver, British Columbia, Canada
April 28, 2005

Chartered Accountants

INLET RESOURCES LTD.
BALANCE SHEET
DECEMBER 31, 2004
(In Canadian Dollars)
(With Comparative Figures at December 31, 2003)

ASSETS	<u>2004</u>	<u>2003</u>
Current Assets		
Cash	\$ 474,578	\$ 14,253
Accounts receivable - GST	4,867	4,711
	<u>479,445</u>	<u>18,964</u>
Investment in public company shares, at cost (See Note 12)	<u>89,000</u>	<u>100,000</u>
Mineral Properties (Note 5)		
Acquisition costs	220,001	313,000
Deferred exploration costs	689	61,744
	<u>220,690</u>	<u>374,744</u>
Office Equipment and Accumulated Amortization (Note 3(e))		
Office equipment, at cost	57,413	52,014
Less: accumulated amortization	<u>(53,049)</u>	<u>(51,248)</u>
	4,319	766
Long-term investments (Note 9)	<u>141,839</u>	<u>-</u>
	<u>\$ 935,293</u>	<u>\$ 494,474</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ <u>20,132</u>	\$ <u>13,320</u>
Shareholders' Equity		
Capital stock (Notes 6, 7 & 8)		
Authorized:		
100,000,000 common shares without par value		
Issued:		
58,284,437 common shares		
(2003 – 43,284,437 common shares)	13,306,960	12,573,608
Stock option compensation	339,088	66,481
Deficit, accumulated during the development stage (Note 2)	<u>(12,730,887)</u>	<u>(12,158,935)</u>
	<u>915,161</u>	<u>481,154</u>
	<u>\$ 935,293</u>	<u>\$ 494,474</u>

APPROVED ON BEHALF OF THE BOARD:

"David Baker" (Signed) _____
Director

"Cynthia Avelino" (Signed) _____
Director

See Accompanying Notes and Auditors' Report

INLET RESOURCES LTD.
STATEMENT OF INCOME (LOSS)
YEAR ENDED DECEMBER 31, 2004
(In Canadian Dollars)
(With Comparative Figures for the Year Ended December 31, 2003)

	Year Ended December 31	
	2004	2003
INTEREST AND OTHER REVENUE	\$ 8,918	\$ 835
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting fees	31,493	24,850
Audit fees	10,478	7,493
Amortization	1,846	10,403
Consulting and administration fees	59,730	62,866
Foreign exchange loss	190	45,064
Interest and bank charges	547	875
Legal fees	663	1,579
Management fees	24,000	18,500
Rent, telephone, office expenses and services	71,263	33,337
Shareholders' communication fees and expense	63,147	63,536
Stock option compensation	272,607	--
Transfer agent and filing fees and services	30,133	17,865
Travel and promotion	14,773	11,805
Write off of deferred exploration costs	--	62,657
Write off of Mineral interests	--	833,000
	<u>580,870</u>	<u>1,193,830</u>
NET LOSS FOR THE YEAR	<u>\$ (571,952)</u>	<u>\$ (1,192,995)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding		
- Basic	<u>52,802,992</u>	<u>41,401,104</u>
- Diluted	<u>70,554,316</u>	<u>52,006,104</u>

See Accompanying Notes and Auditors' Report

INLET RESOURCES LTD.
STATEMENT OF RETAINED EARNINGS (DEFICIT)
YEAR ENDED DECEMBER 31, 2004
(In Canadian Dollars)
(With Comparative Figures for the Year Ended December 31, 2003)

	<u>2004</u>	<u>2003</u>
DEFICIT, BEGINNING OF YEAR	\$ (12,158,935)	\$ (10,965,940)
NET LOSS FOR THE YEAR	<u>(571,952)</u>	<u>(1,192,995)</u>
DEFICIT, END OF YEAR	<u>\$ (12,730,887)</u>	<u>\$ (12,158,935)</u>

See Accompanying Notes and Auditors' Report

INLET RESOURCES LTD.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(In Canadian Dollars)
(With Comparative Figures for the Year Ended December 31, 2003)

	<u>2004</u>	<u>2003</u>
FUNDS DERIVED FROM (APPLIED TO)		
Operating activities		
Net loss for the year	\$ (571,952)	\$ (1,192,995)
Less: Non-cash items		
Amortization	1,846	10,403
Write off of deferred exploration costs	--	62,657
Write off of Mineral interests	--	833,000
Stock-based compensation	272,607	--
Changes in non-cash working capital items		
Accounts receivable	(156)	(1,703)
Accounts payable	6,812	5,420
Securities	26,000	--
	<u>(264,843)</u>	<u>(283,218)</u>
Investing activities		
Capital assets purchased	(5,399)	--
Property acquisition costs	--	(35,000)
Deferred exploration costs	(2,785)	(94,994)
	<u>(8,184)</u>	<u>(129,994)</u>
Financing activities		
Common shares issued	733,352	--
CASH, (DECREASE)		
DURING THE YEAR	460,325	(413,212)
CASH, BEGINNING OF YEAR	<u>14,253</u>	<u>427,465</u>
CASH, END OF YEAR	\$ <u><u>474,578</u></u>	\$ <u><u>14,253</u></u>
Supplementary Disclosure of Non-Cash Transactions		
Shares issued for mineral property	--	\$ 278,000
Shares received of Goldbrook Ventures Inc.		
as a reduction in mineral property acquisition costs	--	\$ 100,000
Shares received per property agreement – Red Lake	\$ 15,000	--
Shares received of Goldbrook Ventures Inc. for Ungava property	\$ 141,839	--

See Accompanying Notes and Auditors' Report

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 1. **Business of the Company**

The Company carries out its business activities exclusively in Canada, and is engaged in the acquisition, exploration, development and subsequent production relating to mineral properties. The Company is incorporated in British Columbia, Canada.

Note 2. **Nature of Operations**

The Company is considered to be a development stage enterprise, in the exploration of mineral properties, and accordingly, the deficit has been accumulated during the development stage.

Note 3. **Summary of Significant Accounting Policies**

(a) **Mineral Property Interests and Deferred Exploration Costs**

- (i) Acquisition costs of mineral property interests together with exploration costs thereon are deferred in the accounts to be written off when production is attained or disposition occurs. If the results from exploration warrant abandonment of certain mineral properties, costs related thereto are written off to current operations.
- (ii) Exploration costs and mine development costs to be incurred, including those to be incurred in advance of commercial production and those incurred to expand capacity of proposed mines, are to be capitalized. Mine development costs to be incurred to maintain production will be expensed as incurred. Depletion and amortization expense related to capitalized mineral property interests and exploration costs and mine development costs will be computed using the units-of-production method based on proven and probable reserves.

(b) **Property Option Agreements**

The Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded; option payments are recorded as resource property costs or recoveries when the payments are made or received.

(c) **Values**

The amounts shown for Mineral Property Acquisition Costs and Deferred Exploration Costs represent historic costs incurred to date and are not intended to reflect present or future values. The recoverability of the amounts shown for mineral property interests and related deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and future profitable production.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 3. **Summary of Significant Accounting Policies (cont'd)**

(d) **Basis of Presentation**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. (GAAP)

(e) **Office Equipment**

Office equipment is carried at cost and is amortized over its estimated useful life of five years on a straight-line basis, as follows:

	December 31,	
	2004	2003
Cost	\$ 57,413	\$ 52,014
Accumulated Amortization	(53,094)	(51,248)
	\$ 4,319	\$ 766

(f) **Foreign Currency**

The Company utilizes the temporal method which translates assets, liabilities, revenues and expenses in a manner that retains their basis of measurement in terms of the Canadian dollar, which is used as the unit of measurement. In particular:

- (i) monetary items are translated at the rate of exchange in effect at the balance sheet date;
- (ii) non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the balance sheet date;
- (iii) revenue and expense items are translated at the rate of exchange in effect on the dates they occur;
- (iv) depreciation or amortization of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate;
- (v) exchange gains or losses arising on conversion are included in other (income) expenses or capitalized if they apply to mineral property interests or deferred exploration costs.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 3. **Summary of Significant Accounting Policies (cont'd)**

(g) **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 date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas where management's judgment is applied include asset and investment valuations, equipment lives, contingent liabilities, tax provisions and future income tax balances, asset retirement obligations and other accrued liabilities. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(h) **Employee Future Benefits**

The Company does not have a pension plan and does not provide other benefits after retirement or post employment benefits to former active employees and does not provide compensated absences and termination benefits.

(i) **Environmental Issues**

The Company is not aware of any environmental studies made and of any present or past obligations.

The operations of the company may in the future be affected from time to time to 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 policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

(j) **Recognition Criteria**

Items recognized in these financial statements are accounted for in accordance with the accrual basis of accounting which recognizes the effect of transactions and events in the period in which they occurred. Revenues are generally recognized when performance is achieved and reasonable assurance regarding measurement and collectibility of the consideration exists. Gains are generally recognized when realized. Expenses and losses are generally recognized when an expenditure or previously recorded asset has no future economic benefit.

When revenues and expenses are linked in a cause and effect relationship, the expense is matched with the revenue. The costs of the assets, which benefit more than one period, are allocated over the periods benefited.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 3. **Summary of Significant Accounting Policies (cont'd)**

(k) **Asset Retirement Obligations**

Effective January 1, 2004, the company adopted CICA Handbook Section 3110. Under this standard, future obligations to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are initially recognized and recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate and an inflation factor. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted to full value over time through periodic charges to earnings. The amount of the asset retirement liability initially recognized is capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life.

Under the standard, future asset retirement obligations are only recorded when the timing or amount of remediation costs can be reasonably estimated.

(l) **Stock-based compensation**

The Company has adopted the recommendations of CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments", effective May 1, 2002. This Section establishes accounting standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions and applied to awards granted on or after January 1, 2002. The Company, as permitted by Handbook Section 3870, has elected to account for all stock options granted to non-employees and employees by applying the fair value based method of accounting. All stock options granted to directors are separately disclosed in the notes to share capital.

(m) **Earnings (Loss) per Common Share**

<u>2004</u>	<u>Net Loss</u>	<u>Weighted Average Shares Outstanding</u>	<u>Loss Per Share</u>
Basic Earnings (Loss) per Share	\$ (571,952)	52,802,992	\$ <u>(0.01)</u>
Effect of options		3,965,163	
Effect of warrants		<u>13,786,161</u>	
Diluted Earnings (Loss) per Share	\$ <u>(571,952)</u>	<u>70,554,316</u>	\$ <u>(0.01)</u>

The diluted loss per share does not increase above the basic loss per share, due to anti-dilutive factors.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 4. **Contingent Liabilities and Commitments**

The Company is not aware of any significant contingent liabilities or guarantees as at December 31, 2004. The Company has reserved shares for the commitment to issue shares in the event of the exercise of incentive stock options (Note 7) or share purchase warrants. (Note 8)

Note 5. **Resource Properties**

A. Mineral Properties

Red Lake Gold Property

On November 19, 2003, the Company entered into a Property Acquisition Agreement with Mackenzie Jaims ("Jaims"). The Company agreed to acquire 100% interest in and to the property consisting of 53 mining claims totaling 830 claim units comprised of 32,800 acres located in the Red Lake area of Ontario. In consideration, the Company paid \$60,000 in cash and issued 2,000,000 shares to Jaims. Jaims retains a 2% net smelter royalty and the Company has the option to purchase 1% of the Net Smelter Royalty ("NSR") for \$1,000,000.

The costs and deferred exploration costs as at December 31, 2004 are as follows:

Red Lake Gold Property

Acquisition cost - 100% interest		
- Cash payment	\$	60,000
- 2,000,000 shares per agreement		<u>200,000</u>
		260,000
Deduct: Option payment received from Rampart		(25,000)
100,000 Rampart shares received (@\$0.15/share)		<u>(15,000)</u>
	\$	220,000
Deferred expenses – claims maintenance		<u>689</u>
Total Red Lake Properties		<u><u>220,689</u></u>

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 5. **Resource Properties (cont'd)**

Red Lake Gold Property (cont'd)

On December 1, 2003, the Company granted Rampart Ventures Ltd. ("Rampart") the option to acquire an undivided 60% interest in the Red Lake Gold Property. The terms of the option granted to Rampart provide for Rampart to issue 950,000 common shares of Rampart to the Company and to make cash payments that total \$50,000, as follows:

- (a) Cash payment of \$25,000 upon signing of the Agreement (received) and a further \$25,000 on or before December 1, 2004;
- (b) 100,000 common shares of Rampart on Exchange acceptance of the transaction (received May 27, 2004);
- (c) 100,000 common shares of Rampart on or before December 1, 2004 (received);
- (d) an additional 250,000 common shares of Rampart on each of December 1, 2005, 2006 and 2007.

The option agreement also requires Rampart to incur an aggregate of \$4,500,000 of exploration work on the property as follows:

- (a) \$500,000 in the first year (firm);
- (b) an additional \$1,000,000 every year thereafter.

The property is subject to a 2% net smelter royalty and the Company has the option to purchase 1% of the NSR for 1,000,000.

Subsequently, on March 1, 2005 (Note 14) Rampart Ventures Ltd. terminated the option agreement.

Note 5. **Resource Properties (cont'd)**

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Ungava Property

On February 3, 2003, the Company acquired 100% interest in the Ungava property located in Quebec, through the delivery of 600,000 shares at \$0.13 per share and the payment of \$100,000. The property is subject to a 1% NSR of which half may be purchased for \$1,000,000.

On August 6, 2003, the Company entered into an Option and Joint Venture Agreement with Goldbrook Ventures Inc. ("Goldbrook"). The Company granted Goldbrook the exclusive right and option (the "First Option") to acquire an undivided 80% interest in all of the interest the Ungava Property, through the delivery of an aggregate 500,000 common shares of Goldbrook and incurring an aggregate of \$3,500,000 of work expenditures on the Property for the next 4 years.

On July 30, 2004, the Company announced that it had reached an agreement with Goldbrook Ventures Inc. ("Goldbrook") whereby Goldbrook will acquire all of the Company's interest in the Wakeham Property (the "Property") comprised of approximately 74,280 acres in the Raglan area of northern Quebec. As consideration, Goldbrook delivered 3,000,000 common shares to the Company valued at \$141,839.

This Agreement replaces the option previously granted to Goldbrook by the Company to earn up to an 80% interest in the Property. The Wakeham Property is subject to a 1-per-cent net smelter return royalty on any mineral production from the Property. Goldbrook has the option to purchase one-half of this royalty for \$1 million.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 6. **Capital Stock**

- (a) Authorized 100,000,000 common shares without par value.
- (b) Issued and outstanding:

	2004		2003	
	Shares	\$	Shares	\$
Balance, beginning of year	43,284,437	\$ 12,573,608	40,684,437	\$ 12,295,608
Issued during the year ((c) below)				
For Cash – Private Placements				
- 04/21/2004 @\$0.05/share	10,000,000	500,000		
- Finder's fee / agency fees		(43,800)		
- 06/15/2004 @\$0.06/share	1,990,500	119,430		
- Finder's fee / agency fees		(5,091)		
- 07/07/2004 @\$0.06/share	3,009,500	180,570		
- Finder's fee / agency fees		(17,757)		
For Mineral Properties				
- Red Lake			2,000,000	200,000
- Ungava			600,000	78,000
Total issued during the year	<u>2,600,000</u>	<u>733,352</u>	<u>2,600,000</u>	<u>278,000</u>
Balance, end of year	<u>58,284,437</u>	<u>\$ 13,306,960</u>	<u>43,284,437</u>	<u>\$ 12,573,608</u>

On March 26, 2004, the Company announced that it had arranged a non-brokered private placement involving the issuance of 10,000,000 units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each Unit will be comprised of one common share and one common share purchase warrant; each warrant exercisable into one additional common share for a period of two years at an exercise price of \$0.10.

On May 12, 2004, through the issuance of 10,000,000 units, the Company announced that it had closed the non-brokered private placement announced on March 26, 2004. Finders' fees of \$43,800 were paid in connection with the private placement comprising of an aggregate of 701,000 warrants (exercisable at a price of \$0.10 per share for a period of one year from closing). The net proceeds for the private placement after finders' fees, agency fees, and expenses was \$456,200.

On April 2, 2004, the Company announced that in addition to the private placement announced on March 26, 2004, it had arranged a second non-brokered private placement involving the issuance of 5,000,000 units (the "Units") at a price of \$0.06 per Unit for gross proceeds of \$300,000. Each Unit will be comprised of one common share and one common share purchase warrant; each warrant exercisable into one additional common share for a period of two years at an exercise price of \$0.10.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 6. **Capital Stock (cont'd)**

On June 15, 2004, Tranche #1 of the private placement announced was completed. 1,990,500 common shares were issued at \$0.06 per share. Finders' fees were paid comprising of an aggregate of 57,200 warrants (exercisable at a price of \$0.10 per share for a period of one year) and \$5,091 cash.

On July 7, 2004, the Company closed Tranche #2 of the private placement announced on April 2, 2004. 3,009,500 units were issued at \$0.06 per unit. Finders' fees were paid comprising of an aggregate of 110,950 warrants (exercisable at a price of \$0.10 per share for a period of one year) and \$17,757 in cash.

Note 7. **Incentive Stock Options**

At the Company's Annual General Meeting held on June 15, 2004, shareholders approved the Company's rolling stock option plan whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan.

A summary of the Company's outstanding stock options as of December 31, 2004 and 2003, and the changes during the current year are presented below:

	<u>Number</u>	<u>Exercise Price</u>
Outstanding and exercisable at December 31, 2003	2,605,000	\$0.10
Granted	4,543,444	\$0.10
Cancelled	(1,315,000)	\$0.10
Expired	<u>(20,000)</u>	\$0.10
Outstanding and exercisable at December 31, 2004	<u>5,813,444</u>	<u>\$0.10</u>

On July 8, 2004, an aggregate of 4,543,444 options were granted as incentive stock options to directors, key employees and consultants at a price of \$0.10 per share. The options expire on July 8, 2009 and are subject to the requirements of the TSX Venture Exchange.

On July 14, 2004, the TSX Venture Exchange accepted the Company's rolling stock option plan approved by the shareholders at the Annual General Meeting.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 7. **Incentive Stock Options (cont'd)**

Incentive Stock options outstanding at December 31, 2004 to Directors, Officers and key employees are as follows:

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price Per Share</u>
30,000	January 31, 2005	\$0.10
300,000	February 27, 2005	\$0.10
670,000	October 2, 2005	\$0.10
270,000	December 8, 2007	\$0.10
<u>4,543,444</u>	July 8, 2009	\$0.10
<u><u>5,813,444</u></u>		

The fair value of the option granted is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value for the options granted during the current year are as follows:

Weighted average fair value of options granted	\$0.06
Expected dividend yield	0.0%
Expected volatility	140%
Risk-free interest rate	4.5%
Expected term in years	5

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Stock-based compensation charges are expensed for stock options granted with a corresponding increase to contributed surplus. For the year ended December 31, 2004, the Company recorded a compensation charge of \$272,607 (2002: \$66,481). Upon exercise of stock options, consideration paid on the exercise of stock options for the purchase of stock, together with the amount previously recognized in contributed surplus, is credited to share capital.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 8. **Share Purchase Warrants**

A summary of the Company's outstanding share purchase warrants at December 31, 2004 and the changes during the year is presented below:

	<u>Number</u>	<u>Exercise Price</u>
Outstanding and exercisable at December 31, 2003	8,000,000	
Expired – June 18, 2004	(8,000,000)	
Issued – April 21, 2004	10,701,000	\$0.10
Issued – June 15, 2004	2,047,700	\$0.10
Issued – July 7, 2004	<u>3,120,450</u>	\$0.10
Outstanding and exercisable at December 31, 2004	<u>15,869,150</u>	

At December 31, 2004, there were 15,869,150 outstanding share purchase warrants entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number of Shares</u>	<u>Details</u>	<u>Expiry Date</u>	<u>Exercise Price Per Share</u>
10,000,000	Private Placement	April 20, 2006	\$0.10
701,000	Finders' fees	April 20, 2005	\$0.10
1,990,500	Private Placement	June 15, 2006	\$0.10
57,200	Finders' fees	June 15, 2005	\$0.10
3,009,500	Private Placement	July 6, 2006	\$0.10
<u>110,950</u>	Finders' fees	July 6, 2005	\$0.10
<u>15,869,150</u>			

Note 9. **Long Term Investments**

As at December 31, 2004, long term investments are recorded at cost and consist of 3,600,000 common shares of Goldbrook Ventures Inc. ("Goldbrook"), a public company with a common director and common officer. 3,000,000 common shares have been placed in escrow and are to be released to the Company on the basis of one share for each \$0.42 in expenditures made by Goldbrook on the Ungava Property (Note 5)

The Company is exposed to liquidity risk which is the risk that the Company will encounter difficulty in selling all of these common shares at close to its market value.

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 10. **Related Parties**

The Company retains the services of certain directors and officers, or companies controlled by those individuals. Management fees, consulting fees, and corporate and administration fees, are as follows:

Expense	Year Ended December 31,	
	2004	2003
Management fees	\$ 24,000	\$ 18,500
Corporate & administration fees	13,895	30,974
Geological consulting fees	-	7,750
Regulatory services	7,000	-
Consulting fees – corporate strategy	1,500	-
Total	\$ 46,395	\$ 57,224

At December 31, 2004, accounts payable and accrued liabilities included \$662 due to a director of the Company and \$2,573 owing to companies related by virtue of common directors for miscellaneous expenses paid by the related company on behalf of the Company.

Note 11. **Income Taxes**

- (a) The Company has losses for income tax purposes that may be carried forward to be applied against taxable income of future years as follows:

Year	Amount
2005	\$ 377,093
2006	1,396,092
2007	597,933
2008	365,722
2009	227,675
2010	292,551
2011	575,139
	<u>\$3,832,205</u>

- (b) The Company presently has no taxable income. The Company's future income tax assets and liabilities are as follows:

	December 31, 2004	December 31, 2003
Future income tax assets	\$ 1,302,950	\$ 1,219,886
Valuation allowance	<u>(1,302,950)</u>	<u>(1,219,886)</u>
Net future income tax assets	\$ -	\$ -

INLET RESOURCES LTD.
Notes to Financial Statements
December 31, 2004

Note 12. **Financial Instruments**

For cash and equivalents, accounts receivable, investment in public company shares, and accounts payable and accrued liabilities, the carrying amounts of these financial instruments approximate their fair value, except for the investment in public company shares which are recorded at cost of \$89,000, with a market value of \$77,200 at December 31, 2004; the decrease in value of \$11,800 is not recorded in these financial statements.

Note 13. **Risk Factors**

Concentration of credit risk

The Company does not believe it is subject to any significant concentration of credit risk. Cash and equivalents are placed with major financial institutions on a cash or short term investment basis. Accounts receivable represent the goods and services tax due from Canada Customs and Revenue Agency.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities.

Note 14. **Subsequent Events**

On January 31, 2005, 30,000 stock options expired unexercised.

On February 27, 2005, 300,000 stock options expired unexercised.

On March 1, 2005, Rampart Ventures Ltd. advised the Company that Rampart decided not to pursue any further work on the Red Lake property and terminated the option agreement dated December 1, 2003.