

**INLET RESOURCES LTD.**

**INTERIM FINANCIAL STATEMENTS**

**September 30, 2008**  
**(Expressed in Canadian Dollars)**

*(Unaudited)*

NOTICE TO READER

INTERIM BALANCE SHEETS

INTERIM STATEMENTS OF LOSS AND DEFICIT

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

## UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statement for the period ended September 30, 2008

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### NOTICE TO READER

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The interim balance sheet as at September 30, 2008 and the interim statements of loss and deficit, and the interim statements of cash flows for the nine month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Morgan & Company.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

/s/ David Baker

David Baker, Director  
Vancouver, BC Canada  
November 28, 2008

/s/ Earl Terris

Earl Terris, Director  
Vancouver, BC Canada  
November 28, 2008

# INLET RESOURCES LTD.

## INTERIM BALANCE SHEETS

(Expressed in Canadian Dollars)

	September 30, 2008 <i>(Unaudited)</i>	December 31, 2007 <i>(Audited)</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,580,249	\$ 879,591
Amounts receivable	22,746	12,796
Prepaid expenses	10,742	24,774
Marketable securities (Note 4)	325,000	788,600
	<u>1,938,737</u>	<u>1,705,761</u>
<b>Equipment (Note 5)</b>	<b>6,145</b>	<b>8,005</b>
<b>Mineral Property (Note 6)</b>	<b>72,652</b>	<b>67,652</b>
	<u>\$ 2,017,534</u>	<u>\$ 1,781,418</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 12,626	\$ 8,238
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock (Note 7)</b>	<b>15,668,450</b>	14,691,855
<b>Contributed Surplus</b>	<b>373,450</b>	458,575
<b>Accumulated other comprehensive income</b>	<b>140,161</b>	603,761
<b>Deficit</b>	<b>(14,177,153)</b>	(13,981,011)
	<u>2,004,908</u>	<u>1,773,180</u>
	<u>\$ 2,017,534</u>	<u>\$ 1,781,418</u>

Approved on Behalf of the Board of Directors:

\_\_\_\_\_  
"David Baker"  
Director

\_\_\_\_\_  
"Earl Terris"  
Director

The accompanying notes are an integral part of these financial statements.

# INLET RESOURCES LTD.

## INTERIM STATEMENTS OF LOSS AND DEFICIT (Expressed in Canadian Dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2008	2007	2008	2007
<b>Expenses</b>				
Accounting fees	\$ 2,625	\$ 2,625	\$ 29,375	\$ 14,750
Amortization	620	480	1,860	1,440
Consulting and administration fees	20,963	20,962	62,888	62,075
Interest and bank charges	81	80	325	284
Legal fees	6,967	1,456	6,967	1,456
Management fees	12,000	12,000	36,000	36,000
Rent, telephone, office expenses	15,277	13,827	48,443	47,291
Shareholders' communication	3,106	3,628	9,321	9,286
Transfer agent and filing fees	3,280	3,445	14,636	12,456
<b>Loss Before Other Items</b>	<b>64,919</b>	58,503	<b>209,815</b>	185,038
<b>Other Items</b>				
Interest income	(5,081)	(4,862)	(13,673)	(14,626)
<b>Net Loss For The Period</b>	<b>59,838</b>	53,641	<b>196,142</b>	170,412
<b>Other comprehensive loss (income) (Note 3)</b>	<b>69,800</b>	(120,641)	<b>463,600</b>	(536,000)
<b>Comprehensive loss (income)</b>	<b><u>129,638</u></b>	<b><u>(66,959)</u></b>	<b><u>659,742</u></b>	<b><u>(365,588)</u></b>

The accompanying notes are an integral part of these financial statements.

## INLET RESOURCES LTD.

### INTERIM STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(Expressed in Canadian Dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2008	2007	2008	2007
Deficit, Beginning Of Period	\$ (14,117,315)	\$ (13,861,190)	\$ (13,981,011)	\$ (13,744,419)
Net loss for the period	(59,838)	(53,641)	(196,142)	(170,412)
Deficit, End Of Period	<u>\$ \$ (14,177,153)</u>	<u>\$ (13,914,831)</u>	<u>\$ (14,177,153)</u>	<u>\$ \$ (13,914,831)</u>
Loss Per Share, Basic and diluted	<u>\$</u>		<u>0.02</u>	<u>\$ 0.03</u>
Weighted Average Common Shares Outstanding			<u>9,767,395</u>	<u>6,147,458</u>

The accompanying notes are an integral part of these financial statements.

# INLET RESOURCES LTD.

## INTERIM STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2008	2007	2008	2007
<b>Cash Flows Provided By (Used In):</b>				
<b>Operating Activities</b>				
Net Income (loss) for the period	\$ (59,838)	\$ (53,641)	\$ (196,142)	\$ (170,412)
Items not involving cash:				
Amortization	620	480	1,860	1,440
	(59,218)	(53,161)	(194,282)	(168,972)
Net changes in non-cash working capital items:				
Accounts receivable	26,213	(3,208)	(9,950)	296
Prepaid expenses	905	(2,128)	14,032	(9,683)
Accounts payable and accrued liabilities	5,138	(3,238)	4,388	(13,586)
	(26,962)	(61,735)	(185,812)	(191,945)
<b>Investing Activities</b>				
Deferred expenses	-	-	(5,000)	(2,714)
<b>Financing Activity</b>				
Issue of share capital	-	-	891,470	2,400
Shares subscribed	-	51,000	-	51,000
	-	51,000	891,470	53,400
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(26,962)</b>	<b>(10,735)</b>	<b>700,658</b>	<b>(141,259)</b>
<b>Cash And Cash Equivalents, Beginning Of Period</b>	<b>1,607,211</b>	<b>724,560</b>	<b>879,591</b>	<b>855,084</b>
<b>Cash And Cash Equivalents, End Of Period</b>	<b>\$ 1,580,249</b>	<b>\$ 713,825</b>	<b>\$ 1,580,249</b>	<b>\$ 713,825</b>
<b>Supplemental Cash Flow Information</b>				
Cash paid for income taxes	\$		-	\$ -
Cash paid for interest	\$		-	\$ -

The accompanying notes are an integral part of these financial statements.

# INLET RESOURCES LTD.

## INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY

September 30, 2008

	<u>SHARE CAPITAL</u>		CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT	TOTAL
	SHARES	AMOUNT				
Balance, December 31, 2006	6,141,817	\$ 14,387,126	\$ 460,904	\$ -	\$ (13,744,419)	\$ 1,103,611
Private placement at \$0.15/share	2,000,000	300,000	-	-	-	300,000
Exercise of stock options	10,000	2,400	-	-	-	2,400
Value associated with options exercised	-	2,329	(2,329)	-	-	-
Revaluation of marketable securities to market value at January 1, 2007	-	-	-	289,761	-	389,761
Revaluation of marketable securities to market value at December 31, 2007	-	-	-	314,000	-	214,000
Net loss for the year	-	-	-	-	(236,592)	(236,592)
<b>Balance, December 31, 2007</b>	<b>8,151,817</b>	<b>14,691,855</b>	<b>458,575</b>	<b>603,761</b>	<b>(13,981,011)</b>	<b>1,773,180</b>
Exercise of warrants	3,315,000	803,750	-	-	-	803,750
Exercise of options	365,500	87,720	-	-	-	87,720
Value associated with options exercised	-	85,125	(85,125)	-	-	-
Revaluation of marketable securities to market value at September 30, 2008	-	-	-	(463,600)	-	(393,800)
Net loss for the period	-	-	-	-	(196,142)	(136,304)
<b>Balance, September 30, 2008</b>	<b>11,832,317</b>	<b>\$ 15,668,450</b>	<b>\$ 373,450</b>	<b>\$ 140,161</b>	<b>\$ (14,177,153)</b>	<b>\$ 2,004,908</b>

# **INLET RESOURCES LTD.**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**September 30, 2008**

(Expressed in Canadian Dollars)

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Inlet Resources Ltd. ("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.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception of \$14,177,153, and the Company will need additional funds to continue to explore and, if exploration is successful, to develop its property. These factors create substantial doubt as to the ability of the Company to continue as a going concern unless sufficient funds are raised for ongoing operations. The Company intends to raise funds by private placements. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Financial Instruments – Change in Accounting Policies**

Effective January 1, 2007, the Company has adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

#### **Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)**

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### a) Financial Instruments – Change in Accounting Policies (Continued)

##### Comprehensive Income (CICA Handbook Section 1530)

The standard introduces the concept of comprehensive loss, which consists of net loss and other comprehensive income. The Company's financial statements now include a Statement of Comprehensive Loss integrated with the statement of operations, which includes the components of comprehensive income. For the Company, other comprehensive income ("OCI") is comprised of the unrealized losses on available-for-sale financial assets arising during the period.

Cumulated changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category within shareholders' equity on the balance sheet.

##### Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships.

#### b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short term deposits with maturities of 90 days or less when acquired. The Company did not have cash equivalents as of June 30, 2008.

#### c) Marketable Securities

The marketable securities were quoted and recorded at lower of market and cost on and before December 31, 2006. From January 1, 2007, the Company adopted the new financial instrument standards (CICA Section 3855 and Section 1530) and classifies its marketable securities as "available for sale" and records the marketable securities at their fair values.

#### c) Equipment

Equipment and furniture are carried at cost and are amortized over their estimated useful lives of five years on a straight-line basis.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Mineral Property Interests and Deferred Exploration Costs

##### *Costs and Amortization*

Mineral properties, including options to mineral claims, are stated at cost. The recorded cost of mineral properties and exploration and development interests is based on cash paid and the value, if any, of share considerations given for mineral properties and exploration and development costs incurred.

All direct and indirect costs relating to the acquisition of mineral properties are capitalized until the properties to which they relate are placed into production, sold or when management has determined that there is an impairment in the carrying values of those mineral properties.

The Company defers expenditures directly attributable to the exploration of mineral properties, pending a decision as to the commercial viability of a property. When the Company loses or abandons title on its interest in the property, the accumulated expenditures on such property are charged to operations. If any property reaches commercial production, the applicable costs of the mineral property and the deferred exploration and development expenditures will be amortized against related production revenues on the unit of production method, based on the property's estimated reserves.

##### *Values*

Based on the information available to date, the Company has not yet determined whether the mineral property it is exploring contains economically recoverable reserves. The recoverability of the amounts capitalized as mineral property and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development program and upon future profitable production.

The amounts shown for mineral properties and deferred exploration expenses represent costs incurred to date, and do not necessarily represent present or future values as they are entirely dependent upon various factors as noted above.

##### *Cost of Maintaining Mineral Properties*

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### f) 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.

#### g) 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.

#### h) Long-Lived Assets Impairment

Long-lived assets are reviewed whenever events or changes in circumstances indicate that carrying value of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

#### i) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110 – "Asset Retirement Obligations". 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.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i) Asset Retirement Obligations (Continued)

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

#### j) Stock Option Plan

The Company grants stock options under a fixed stock option plan in accordance with the TSX Venture Exchange policies. Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

#### k) 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.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l) Loss Per Common Share

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the stock options and warrants that are used to purchase common shares at the average market price during the period. During the nine months ended September 30, 2008 and 2007, all of the outstanding stock options and warrants were anti-dilutive.

#### m) Foreign Currency

Transactions denominated in foreign currencies are translated into Canadian dollars, using the temporal method. A summary of this method is as follows:

- Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date;
- Non-monetary assets and liabilities are translated at the rate prevailing when the transaction occurred;
- Revenue, general and administration expenses, and gains and losses are translated at the average exchange rate in effect during the period;
- Exchange gains or losses from conversion are included in the current statement of loss;
- Depreciation or amortization of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate.

#### n) Flow-Through Financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to mineral property deferred exploration costs. When transferring the tax deductibility of exploration expenditures to the investor (renunciation), future income tax recovery income has been recognized and share capital has been reduced accordingly.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 3. NEW ACCOUNTING POLICIES NOT YET ADOPTED

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section is effective beginning January 1, 2008. The Company does not expect the impact of the adoption of this new section on the financial statements to be significant.

### 4. MARKETABLE SECURITIES

	<u>Sept. 30, 2008</u>	<u>Dec. 31, 2007</u>
Goldbrook Ventures Inc. (a related company) – 3,160,000 common shares (quoted at market value) (cost at \$169,839)	<b>\$ 316,000</b>	\$ 774,200
RPT Uranium Corp. – 60,000 common shares (quoted at market value) (cost at \$15,000)	<b>9,000</b>	14,400
	<b><u>\$ 325,000</u></b>	<b><u>\$ 788,600</u></b>

As at September 30, 2008, the Company had available for sale securities including 3,160,000 common share of Goldbrook Ventures Inc. ("Goldbrook"), a public company related by virtue of common directors and a common officer, and 60,000 common shares of RPT Uranium Corp. (formerly Rampart Ventures Ltd.).

Pursuant to the new financial instrument standards (CICA Section 3855 and Section 1530), the Company classifies its marketable securities as "available for sale" and records the marketable securities at their fair values. The fair values are determined by using the close market prices of the last day of the period. At the same time, the unrealized gain or loss from change of fair value of the marketable securities are recognized as "other comprehensive income".

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 an amount at least equivalent to its cost.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

**September 30, 2008**

(Expressed in Canadian Dollars)

### 5. EQUIPMENT

	September 30, 2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture	<b>\$ 12,406</b>	<b>\$ 6,261</b>	<b>\$ 6,145</b>
	December 31, 2007		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Equipment	<b>\$ 12,406</b>	<b>\$ 4,401</b>	<b>\$ 8,005</b>

### 6. MINERAL PROPERTIES

Costs incurred to date include:

	September 30, 2008	December 31, 2007
Claims and maintenance	\$ 22,664	\$ 17,664
Geological consulting fees	17,570	17,570
Travel, accommodation, food and contractor services	15,050	15,050
Equipment rental	3,800	3,800
Supplies and sampling	13,568	13,568
	<b>\$ 72,652</b>	<b>\$ 67,652</b>

#### Broken Hill-Leo Property

On September 26, 2006, the Company entered into an option agreement with Timer Explorations Inc. ("Timer", name changed to Potash North Resource Corp. since May 2008), a company related by common directors, to acquire a 50% interest in the Broken Hill-Leo property which comprises 56 mineral claims (133 claim units), located approximately 150 kilometers north-east of Kamloops, British Columbia.

Under the terms of the Option Agreement, the Company must complete an initial \$50,000 work program prior to December 31, 2006 (incurred \$49,938 as at December 31, 2006) and a further \$150,000 work program by August 31, 2007 to earn the 50% interest in the claims.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 6. MINERAL PROPERTIES (Continued)

#### Broken Hill-Leo Property (Continued)

The Company had not completed the required expenditures as at August 31, 2007 and Timer received a notice of Default of Agreement on September 6, 2007. On October 9, 2007, the Company received an Amended Notice of Default that extends the default period to December 31, 2007, and the Company made a \$15,000 deposit to the optionor pursuant to the Amended Notice of Default.

During the nine months ended September 30, 2008, the Company made a \$5,000 payment to the optionor to extend the default period.

On April 23, 2008, Timer signed an Amended Option that requires Timer to complete a \$125,000 work program on the property by November 2, 2008 in order to keep the option in good standing and to make advance royalty payments of \$5,000 each subsequent year to the optionor until \$100,000 has been paid.

On April 23, 2008, the Company, through a board resolution, extended the option agreement with Timer pursuant to the Amended Option. Under the extended option agreement, the Company may earn a 50% interest in Broken Hill-Leo property by sharing 50% of the \$125,000 required work program expenditures and funding 50% of the advance royalty payments of \$5,000 each subsequent year to the optionor until a total \$100,000 has been paid.

### 7. SHARE CAPITAL

#### a) Authorized

Unlimited number of common shares without par value.

#### b) Private Placement

On October 22, 2007, the Company announced that it had completed the non-brokered private placement. The Company had issued 2,000,000 units of (the "Units") at a price of \$0.15 per Unit, for gross proceeds of \$300,000. Each Unit is comprised of one common share ("Share") of the Company and one transferable common share purchase warrant ("Warrant"). Each Warrant is exercisable into one additional common share of the Company ("Warrant Share") for a period of two years from the closing date of the private placement at an exercise price of \$0.20. The Shares and Warrant Shares are subject to a four month hold period expired on February 5, 2008.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

**September 30, 2008**

(Expressed in Canadian Dollars)

### 7. SHARE CAPITAL (Continued)

#### c) Incentive Stock Options

The Company has a fixed stock option plan whereby a maximum of 10% of the issued shares may be reserved for issuance.

There are no stock options granted during the nine months ended September 30, 2008.

A summary of the Company's outstanding stock options as of September 30, 2008 and the changes during the period are presented below:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at December 31, 2006	614,115	\$ 0.65
Exercised	<u>(10,000)</u>	0.24
Outstanding and exercisable at December 31, 2007	<u>604,115</u>	\$ 0.66
Exercised	<u>(365,500)</u>	0.24
Outstanding and exercisable at September 30, 2008	<u><b>238,615</b></u>	\$ 1.29

Incentive stock options outstanding at September 30, 2008 to directors, officers and employees are as follows:

NUMBER OF OPTIONS OUTSTANDING AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE
91,115	July 7, 2009	\$ 3.00
<u>147,500</u>	November 30, 2011	\$ 0.24
<u><b>238,615</b></u>		

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

**September 30, 2008**

(Expressed in Canadian Dollars)

### 7. SHARE CAPITAL (Continued)

#### d) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at June 30, 2008 and the changes during the period are presented below:

	<b>NUMBER</b>		<b>WEIGHTED AVERAGE EXERCISE PRICE</b>
Outstanding and exercisable at December 31, 2006	4,199,000	\$	0.41
Expired	(199,000)		3.00
Issued	2,000,000		0.20
<b>Outstanding and exercisable at December 31, 2007</b>	<b>6,000,000</b>	<b>\$</b>	<b>0.255</b>
Expired	(1,470,000)		0.30
Expired	(650,000)		0.265
Exercised	(530,000)		0.30
Exercised	(1,435,000)		0.20
Exercised	(1,350,000)		0.265
<b>Outstanding and exercisable at September 30, 2008</b>	<b>565,000</b>	<b>\$</b>	<b>0.20</b>

At September 30, 2008, there were 565,000 outstanding share purchase warrants entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<b>NUMBER OF SHARES</b>	<b>EXPIRY DATE</b>	<b>EXERCISE PRICE PER SHARE</b>
565,000	October 3, 2009	\$ 0.20

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 8. RELATED PARTIES

The Company retains the services of certain directors and officers. Management fees, consulting fees, accounting fees, and corporate and administration fees are as follows:

	Nine months ended September 30	
	2008	2007
Management fees	\$ 36,000	\$ 36,000
Consulting fees – shareholders communication	22,500	22,500
Accounting fees	7,875	-
Total	<u>\$ 66,375</u>	<u>\$ 58,500</u>

In the nine months ended September 30, 2008, management fees of \$36,000 (2007 - \$36,000) were paid to the president, who is also a director, of the Company. Consulting fees related to shareholders' communication of \$22,500 (2007 - \$22,500) were paid to a company controlled by the spouse of the president. Accounting fees of \$7,875 (2007 - \$Nil) were paid to an officer.

At September 30, 2008, accounts payable and accrued liabilities included \$Nil (2007 - \$924) due to a director of the Company.

At September 30, 2008, accounts receivable include the offices expenses paid on behalf of companies with common directors and management in the amount of \$1,301 (2007 – \$1,301).

At September 30, 2008, prepaid expenses include \$Nil (2007 - \$10,500) paid to companies controlled by a director for future management fees and other expenses.

### 9. CONTINGENT LIABILITIES AND COMMITMENTS

The Company is not aware of any significant contingent liabilities or guarantees as at September 30, 2008. The Company has reserved shares for the commitment to issue shares in the event of the exercise of incentive stock options or share purchase warrants.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

September 30, 2008

(Expressed in Canadian Dollars)

### 10. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's financial instruments consist of cash, marketable securities, due from broker, amounts receivable and accounts payable and accrued liabilities. For all except marketable securities, fair value approximates carrying value since the instruments are short term in nature and are receivable or payable on demand. The fair value of marketable securities is disclosed in Note 4.

#### *Concentration of Credit Risk*

The Company does not believe it is subject to any significant concentration of credit risk. Cash is placed with major financial institutions on a cash or short term investment basis. Accounts receivable represent amounts that are collectible.

#### *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.

### 11. Subsequent Events

On November 4, 2008, the Company announced that it had arranged a non-brokered private placement involving the issuance of up to 4,000,000 units of the Company at a price of \$0.06 per unit for gross proceeds of \$240,000. Each unit shall be composed of one common share of the Company and one transferable common share purchase warrant. Each warrant is exercisable into one additional common share of the Company for a period of two years from the closing date of the private placement at an exercisable price of \$0.10. The proceeds from the offering will be added to working capital and will be used to investigate other opportunities for the Company. The private placement is subject to receipt by the Company of all necessary regulatory approvals, including the approval of the TSX Venture Exchange.