

INLET RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

(Unaudited)

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 statements for the period ended June 30, 2011

NOTICE TO READER

The interim statement of financial position as at June 30, 2011 and the interim statements of operations and comprehensive loss, and the interim statements of cash flows for the six-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 condensed 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 International Financial Reporting Standards.

/s/ David Baker

David Baker, Director
Vancouver, BC Canada
October 7, 2011

/s/ Earl Terris

Earl Terris, Director
Vancouver, BC Canada
October 7, 2011

INLET RESOURCES LTD.

INTERIM STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	June 30, 2011	December 31, 2010 <i>(Note 4)</i>	January 1, 2010 <i>(Note 4)</i>
ASSETS			
Current			
Cash and cash equivalents	\$ 1,295,720	\$ 1,351,071	\$ 1,565,138
Marketable securities (Note 6)	537,200	632,000	989,200
Amounts receivable	8,811	7,248	3,052
Prepaid expenses	42,909	18,765	15,152
	1,884,640	2,009,084	2,572,902
Equipment	-	565	3,045
Exploration and Evaluation Assets (Note 7)	125,760	124,440	138,216
	\$ 2,010,400	\$ 2,134,089	\$ 2,714,163
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 8,711	\$ 32,076	\$ 27,046
SHAREHOLDERS' EQUITY			
Share Capital (Note 8)	16,131,250	16,021,450	16,021,450
Reserves	670,379	753,329	1,052,754
Deficit	(14,799,940)	(14,672,766)	(14,387,087)
	2,001,689	2,120,013	2,687,117
	\$ 2,010,400	\$ 2,134,089	\$ 2,714,163

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 OPERATIONS AND COMPREHENSIVE LOSS (Expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Expenses				
Amortization	-	620	565	1,240
Consulting and administration fees	16,500	16,500	33,000	33,000
Management fees	15,000	15,000	30,000	30,000
Professional fees	9,520	7,274	15,984	11,774
Rent, telephone, office expenses	10,760	10,476	22,493	23,128
Shareholders' communication	861	869	1,585	1,626
Transfer agent and filing fees	4,551	4,172	11,697	10,145
Loss Before Other Items And Income Taxes	(57,192)	(54,911)	(115,324)	(110,913)
Other Items				
Loss from sale of marketable securities	-	-	-	(4,031)
Loss Before Income Taxes	(57,192)	(54,911)	(115,324)	(114,944)
Deferred Income Tax Expenses	(9,875)	(27,650)	(11,850)	(30,925)
Net Loss For The Period	(67,067)	(82,561)	(127,174)	(145,869)
Other Comprehensive Loss (Note 5)				
Net unrealized loss arising on available for sale investments during the period	(69,125)	(193,550)	(82,950)	(216,475)
Comprehensive Loss For The Period	<u>(136,192)</u>	<u>(276,111)</u>	<u>(210,124)</u>	<u>(362,344)</u>
Loss Per Share, Basic and Diluted			\$ (0.01)	\$ (0.01)
Weighted Average Common Shares Outstanding			17,355,881	16,397,317

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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Cash Flows Provided By (Used In):				
Operating Activities				
Net loss for the period	\$ (67,067)	\$ (82,561)	\$ (127,174)	\$ (145,869)
Items not involving cash:				
Amortization	-	620	565	1,240
Income tax (recovery) expenses	9,875	27,650	11,850	30,925
	(57,192)	(54,291)	(114,759)	(113,704)
Net changes in non-cash working capital items:				
Accounts receivable	(2,238)	(1,065)	(1,563)	(153)
Prepaid expenses	(23,859)	(922)	(24,144)	(1,545)
Accounts payable and accrued liabilities	(10,883)	(9,096)	(23,365)	(17,789)
	(94,172)	(65,374)	(163,831)	(133,191)
Investing Activities				
Disposition of marketable securities (Note 6)	-	-	-	15,000
Deferred exploration costs	(1,320)	-	(1,320)	-
	(1,320)	-	(1,320)	15,000
Financing Activity				
Issue of share capital	-	-	109,800	-
Increase (Decrease) In Cash And Cash Equivalents	(94,492)	(65,374)	(55,351)	(118,191)
Cash, Beginning Of Period	1,391,212	1,512,321	1,351,071	1,565,138
Cash, End Of Period	\$ 1,295,720	\$1,446,947	\$ 1,295,720	\$ 1,446,947
Supplemental Cash Flow Information				
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

(Expressed in Canadian dollars, except number of shares)

	SHARE CAPITAL		RESERVES			DEFICIT	TOTAL
	SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	AVAILABLE- FOR-SALE REVALUATION RESERVE			
Balance, December 31, 2009	16,397,317	\$ 16,021,450	\$ 373,450	\$ 679,304	\$ (14,387,087)	\$ 2,687,117	
Revaluation of marketable securities to market value at June 30, 2010	-	-	-	(216,475)	-	(216,475)	
Net loss for the period	-	-	-	-	(145,869)	(145,869)	
Balance, June 30, 2010	16,397,317	\$ 16,021,450	\$ 373,450	\$ 462,829	\$ (14,532,956)	\$ 2,324,773	
Revaluation of marketable securities to market value at December 31, 2010	-	-	-	(88,350)	-	(88,350)	
Realized loss on sale of marketable securities	-	-	-	5,400	-	5,400	
Net loss for the period	-	-	-	-	(139,810)	(139,810)	
Balance, December 31, 2010	16,397,317	\$ 16,021,450	\$ 373,450	\$ 379,879	\$ (14,672,766)	\$ 2,102,013	
Stock options exercised	20,000	4,800	-	-	-	4,800	
Warrants exercised	1,050,000	105,000	-	-	-	105,000	
Revaluation of marketable securities to market value at June 30, 2011	-	-	-	(82,950)	-	(82,950)	
Net loss for the period	-	-	-	-	(127,174)	(127,174)	
Balance, June 30, 2011	17,467,317	\$ 16,131,250	\$ 373,450	\$ 296,929	\$ (14,799,940)	\$ 2,001,689	

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (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. The Company’s registered and records office in British Columbia is Suite 1550, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and marketable securities (as well as no debt obligation outside of normal course accounts payable and accrued liabilities) to continue operating at current levels for the ensuing twelve months. Accordingly, these financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These condensed interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting” (“IAS 34”) and IFRS 1.

These are the Company’s IFRS interim financial statements for part of the period covered by the Company’s first IFRS annual financial statements for the year ending December 31, 2011. Prior to January 1, 2011, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 4. These condensed interim financial statements do not include all of the information required for full annual financial statements.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of October 7, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim financial statements.

These condensed interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 4 discloses IFRS information for the year ended December 31, 2010 that is material to the understanding of these condensed interim financial statements.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, modified by the revaluation of available-for-sale financial assets.

Significant accounting judgments and estimates

The preparation of these interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant areas where management's judgment is applied include, but are not limited to, asset and investment valuations, equipment lives, contingent liabilities, tax provisions and future income tax balances, asset retirement obligations and other accrued liabilities, and inputs used in accounting for share-based compensation expense. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes. The Company did not have cash equivalents as of June 30, 2011.

b) Marketable Securities

The Company classifies its marketable securities as "available for sale" and records the marketable securities at their fair values. Quarterly revaluation of the marketable securities is performed and unrealized gains or losses are recorded as reserve for available-for-sale assets until sold when gains and losses are recognized in the statements of operations.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Equipment

Equipment and furniture are recorded at cost and depreciated over their estimated useful lives of five years on a straight-line basis. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation methods, useful lives, and residual values are reviewed at each financial year end and are adjusted if appropriate.

d) Exploration and Evaluation Assets

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. Costs incurred before the Company has obtained the legal rights to explore the area are recognized as expenses.

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 demonstrates technical feasibility and commercial viability, the exploration and evaluation assets contributable to the property are tested for impairment and then reclassified to mining property and development assets and are 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 exploration and evaluation assets 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 exploration and evaluation assets 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.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Exploration and Evaluation Assets (Continued)

Cost of Maintaining Mineral Properties

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

e) 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.

f) 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.

g) Impairment of Non-Financial Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment of Non-Financial Assets (Continues)

As asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h) Asset Retirement Obligations

The Company follows IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Under this standard, future obligations to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are discounted to their net present value using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. 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.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value for share purchase options granted to employees and consultants are measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted are measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of share purchase options that are expected to vest.

j) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair values using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated using the Black-Scholes method.

k) Flow-Through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the deferred tax liability is recognized as a tax recovery to the extent that suitable deferred tax assets are available.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "look-back" rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Income Taxes

Income taxes are recorded using the liability method of tax allocation. Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The recognition of deferred income tax assets is limited to the amount that is more likely than not to be realized.

m) 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 six months ended June 30, 2011, all of the outstanding stock options and warrants were anti-dilutive.

n) Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Canadian dollars, using the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated at current rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the year, except for amortization and depletion which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized in the statement of operations.

o) Future Accounting Standards

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 – Financial Instruments

IFRS establishes the requirements for recognizing and measuring financial assets and financial liabilities. This new standard is effective January 1, 2013 with earlier application permitted.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Future Accounting Standards (continued)

IFRS 10 - Consolidated Financial Statements

IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 11 - Joint Arrangements

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31: Interests in Joint Ventures and SIC 13: Jointly Controlled Entities - Non- Monetary Contributions by Venturers. This new standard is effective January 1, 2013 with earlier application permitted.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 12 - Income Taxes

IAS 12 addresses the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

IAS 27 - Separate Financial Statements

IAS 27 replaces IAS 27: Consolidated and Separate Financial Statements and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9. This new standard is effective January 1, 2013 with earlier application permitted.

IAS 28 - Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This amendment is effective January 1, 2013 with earlier application permitted.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS

Effective January 1, 2011, the Company adopted IFRS with a transition date of January 1, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1 “First-time Adoption of International Financial Reporting Standards”. Under IFRS 1, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010.

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010. There is no adjustment required to the January 1, 2010 statement of financial position on the transition date.

b) Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 “Share-based Payment” to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

c) IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 “Business Combinations” retrospectively, IAS 27 “Consolidated and Separate Financial Statements” must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

d) Restoration, Rehabilitation and Environment Obligations

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the Company has re-measured the provisions at January 1, 2010 under IAS 37 “Provision, Contingent Liabilities and Contingent Assets” and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

Estimates - In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its GAAP estimates for the same date.

The accounting policies in Note 3 have been applied in preparing the interim financial statements for the six months ended June 30 31, 2011, the comparative information for the six months ended June 30, 2010, the statement of financial position as at December 31, 2010, and June 30, 2010, and the preparation of an opening IFRS statement of financial position on the transition date of January 1, 2010.

IFRS employs a conceptual framework similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS had no significant impact on the financial statements of the Company. Although there have been no changes, the Company's Canadian GAAP statement of operations and comprehensive loss, statement of financial position, and statement of cash flows for the six months ended June 30, 2010 and the year ended December 31, 2010 have been reconciled to IFRS as follows:

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of the Statement of Financial Position as at January 1, 2010			
	<u>Canadian GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
ASSETS			
Current			
Cash and cash equivalents	\$ 1,565,138	\$ -	\$ 1,565,138
Marketable securities	989,200	-	989,200
Amounts receivable	3,052	-	3,052
Prepaid expenses	15,152	-	15,152
	2,572,902	-	2,572,902
Equipment	3,045	-	3,045
Mineral Property	138,216	-	138,216
	\$ 2,714,163	\$ -	\$ 2,714,163
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 27,046	\$ -	\$ 27,046
SHAREHOLDERS' EQUITY			
Share Capital	16,021,450	-	16,021,450
Contributed Surplus	373,450	-	373,450
Accumulated other comprehensive income	679,304	-	679,304
Deficit	(14,387,087)	-	(14,387,087)
	2,687,117	-	2,687,117
	\$ 2,714,163	\$ -	\$ 2,714,163

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

	Reconciliation of the Statement of Financial Position as at June 30, 2010		
	<u>Canadian GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
ASSETS			
Current			
Cash and cash equivalents	\$ 1,446,947	\$ -	\$ 1,446,947
Marketable securities	726,800	-	726,800
Amounts receivable	3,205	-	3,205
Prepaid expenses	17,057	-	17,057
	2,194,009	-	2,194,009
Equipment	1,805	-	1,805
Mineral Property	138,216	-	138,216
	\$ 2,334,030	\$ -	\$ 2,334,030
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 9,257	\$ -	\$ 9,257
SHAREHOLDERS' EQUITY			
Share Capital	16,021,450	-	16,021,450
Contributed Surplus	373,450	-	373,450
Accumulated other comprehensive income	462,829	-	462,829
Deficit	(14,532,956)	-	(14,532,956)
	2,324,773	-	2,324,773
	\$ 2,334,030	\$ -	\$ 2,334,030

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of the Statement of Financial Position as at December 31, 2010			
	<u>Canadian GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
ASSETS			
Current			
Cash and cash equivalents	\$ 1,351,071	\$ -	\$ 1,351,071
Marketable securities	632,000	-	632,000
Amounts receivable	7,248	-	7,248
Prepaid expenses	18,765	-	18,765
	2,009,084	-	2,009,084
Equipment	565	-	565
Mineral Property	124,440	-	124,440
	\$ 2,134,089	\$ -	\$ 2,134,089
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 32,076	\$ -	\$ 32,076
SHAREHOLDERS' EQUITY			
Share Capital	16,021,450	-	16,021,450
Contributed Surplus	373,450	-	373,450
Accumulated other comprehensive income	379,879	-	379,879
Deficit	(14,672,766)	-	(14,672,766)
	2,120,013	-	2,120,013
	\$ 2,134,089	\$ -	\$ 2,134,089

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of the Statement of Operations and Comprehensive Loss for the six months ended June 30, 2010			
	<u>Canadian GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
Expenses			
Amortization	\$ 1,240	\$ -	\$ 1,240
Consulting and administration fees	33,000	-	33,000
Management fees	30,000	-	30,000
Professional fees	11,774	-	11,774
Rent, telephone, office expenses	23,128	-	23,128
Shareholders' communication	1,626	-	1,626
Transfer agent and filing fees	10,145	-	10,145
<hr/>			
Loss Before Other Items And Income Taxes	(110,913)	-	(110,913)
Other Items			
Loss from sale of marketable securities	(4,031)	-	(4,031)
<hr/>			
Loss Before Income Taxes	(114,944)	-	(114,944)
Deferred Income Tax Expenses	(30,925)	-	(30,925)
<hr/>			
Net Loss For The Period	(145,869)	-	(145,869)
Other Comprehensive Loss			
Net unrealized loss arising on available for sale investments during the period	(216,475)	-	(216,475)
<hr/>			
Comprehensive Loss For The Period	\$ (362,344)	\$ -	\$ (362,344)

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of the Statement of Operations and Comprehensive Loss for the year ended December 31, 2010			
	<u>Canadian GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
Expenses			
Amortization	\$ 2,480	\$ -	\$ 2,480
Consulting and administration fees	66,000	-	66,000
Management fees	60,000	-	60,000
Professional fees	43,017	-	43,017
Rent, telephone, office expenses	47,473	-	47,473
Shareholders' communication	7,251	-	7,251
Transfer agent and filing fees	13,188	-	13,188
<hr/>			
Loss Before Other Items And Income Taxes	(239,409)	-	(239,409)
Other Items			
Loss from sale of marketable securities	(4,031)	-	(4,031)
Interest income	536	-	536
<hr/>			
Loss Before Income Taxes	(242,904)	-	(242,904)
Deferred Income Tax Expenses	(42,775)	-	(42,775)
<hr/>			
Net Loss For The Year	(285,679)	-	(285,679)
Other Comprehensive Loss			
Net unrealized loss arising on available for sale investments during the period	(304,825)	-	(304,825)
Reclassification of realized loss on sale of marketable securities	5,400	-	5,400
<hr/>			
Comprehensive Loss For The Year	\$ (585,104)	\$ -	\$ (585,104)

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

Cash flows Provided By (Used in):	Reconciliation of the Statement of Cash Flow for the six months ended June 30, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating Activities			
Net loss for the period	\$ (145,869)	\$ -	\$ (145,869)
Items not involving cash:			
Amortization	1,240	-	1,240
Income tax expenses	30,925	-	30,925
Loss on sale of marketable securities	4,031	-	4,031
	(109,673)	-	(109,673)
Net changes in no-cash working capital items:			
Accounts receivable	(153)	-	(153)
Prepaid expenses	(1,545)	-	(1,545)
Accounts payable and accrued liabilities	(17,789)	-	(17,789)
	(129,160)	-	(129,160)
Investing Activity			
Proceeds on sale of marketable securities	10,969	-	10,969
	(118,191)	-	(118,191)
Decrease In Cash And Cash Equivalents	(118,191)	-	(118,191)
Cash, Beginning Of Period	1,565,138	-	1,565,138
Cash, End Of Period	\$ 1,446,947	-	\$ 1,446,947

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

4. FIRST TIME ADOPTION OF IFRS (Continued)

Cash flows Provided By (Used in):	Reconciliation of the Statement of Cash Flow for the year ended December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
Operating Activities			
Net loss for the year	\$ (285,679)	\$ -	\$ (285,679)
Items not involving cash:			
Amortization	2,480	-	2,480
Income tax expenses	42,775	-	42,775
Loss on sale of marketable securities	4,031	-	4,031
	(236,812)	-	(236,812)
Net changes in no-cash working capital items:			
Accounts receivable	(4,196)	-	(4,196)
Prepaid expenses	(3,253)	-	(3,253)
Accounts payable and accrued liabilities	5,030	-	5,030
	(238,812)	-	(238,812)
Investing Activity			
Proceeds on sale of marketable securities	10,969	-	10,969
Exploration tax credits received	18,776	-	18,776
Mineral properties	(5,000)	-	(5,000)
	24,745	-	24,745
Decrease In Cash And Cash Equivalents	(214,067)	-	(214,067)
Cash, Beginning Of Year	1,565,138	-	1,565,138
Cash, End Of Year	\$ 1,351,071	-	\$ 1,351,071

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS

a) *Designations*

The Company's financial instruments consist of cash, marketable securities, amounts receivable, accounts payable and accrued liabilities.

The Company has designated its marketable securities, comprising of shares listed on a recognized stock exchange, as available-for-sale securities and reports them at fair value. The amounts by which fair values of these securities differ from written down cost represent unrealized gains and losses and are recognized in other comprehensive income (loss). All realized gains and losses are recognized in the net income (loss) in the period of disposition. The fair value of these securities is market value. The market value of publicly traded securities is based on quoted market prices.

Cash is designated as held-for-trading; amounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

b) *Fair Value*

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of financial instruments that are measured on a recurring basis comprises the Company's investments in marketable securities. These fair values are determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The carrying amount of all other financial instruments are a reasonable approximation of fair value.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (Continued)

c) *Risk Management*

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company held cash of \$1,295,720 and had liabilities of \$8,711. All of the Company's liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. Liquidity risk is assessed as minimal.

Other Price Risk

The Company's investment in marketable securities are classified as available-for-sale and are traded on the TSX Venture Exchange. A \$0.01 change in the quoted share price would change the fair value of the investment by \$31,600. The impact of the change, net of tax, is approximately \$27,600. The change would be recorded in Accumulated Other Comprehensive Income.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (Continued)

d) *Comprehensive income*

A statement of comprehensive income (loss) forms part of the Company's financial statements and displays current period net income and other comprehensive income (loss). Other comprehensive income consists of unrealized gains on available-for-sale financial assets. The cumulative changes in other comprehensive income are included in accumulated other comprehensive income within shareholders' equity in the consolidated balance sheet.

e) *Hedges*

As at June 30, 2011, the Company had not entered into any hedging relationships.

6. MARKETABLE SECURITIES

	June 30, 2011	December 31, 2010
Goldbrook Ventures Inc. (a related company) – 3,160,000 common shares (quoted at market value) (cost at \$169,839)	\$ 537,200	\$ 632,000

As at June 30, 2011, the Company had available for sale securities of 3,160,000 common share of Goldbrook Ventures Inc. ("Goldbrook"), a public company related by virtue of common directors and a common officer.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

Costs incurred to date include:

	June 30, 2011	Additions	December 31, 2010	Additions/ (credits)	January 1, 2010 & June 30, 2010
Claims and maintenance	\$ 33,178	-	33,178	\$ 5,000	\$ 28,178
Drilling	46,940	-	46,940	-	46,940
Equipment rental	9,421	-	9,421	-	9,421
Geological consulting fees	24,171	1,320	22,851	-	22,851
Reports	1,921	-	1,921	-	1,921
Supplies and sampling	13,855	-	13,855	-	13,855
Travel, accommodation, food and contractor services	15,050	-	15,050	-	15,050
	\$ 144,536	\$ 1,320	143,216	\$ 5,000	\$138,216
Tax credits	(18,776)	-	(18,776)	(18,766)	-
Total mineral property deferred costs	125,760	1,320	124,440	\$ (13,766)	\$138,216

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 and a further \$150,000 work program by August 31, 2007 to earn the 50% interest in the claims. The Company made payments totaling \$20,000 to extend the work program deadline.

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 (incurred as of December 31, 2008) and funding 50% of the advance royalty payments of \$5,000 each subsequent year to the optionor until a total \$100,000 (\$10,000 paid) has been paid.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

In December 2009, Timer sold their 50% interest to Monster Uranium Corp. ("Monster"). Monster will assume the responsibilities of Timer.

During the year ended December 31, 2010, the Company received a tax credit relating to the exploration expenses incurred in British Columbia in the amount of \$18,776.

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) 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 December 31, 2010 fiscal year and the six months ended June 30, 2011.

A summary of the Company's outstanding stock options as of June 30, 2011 and the changes during the period are presented below:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at January 31, 2010 and December 31, 2010	<u>52,500</u>	\$ 0.24
Exercised	<u>(20,000)</u>	\$ 0.24
Outstanding and exercisable at June 30, 2011	<u>32,500</u>	\$ 0.24

Incentive stock options outstanding at June 30, 2011 to directors, officers and employees are as follows:

NUMBER OF OPTIONS OUTSTANDING AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE
32,500	November 30, 2011	\$ 0.24

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011

(Expressed in Canadian Dollars)

8 SHARE CAPITAL (Continued)

c) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at June 30, 2011 and the changes during the period are presented below:

	NUMBER		WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at December 31, 2009 and 2010	4,000,000	\$	0.10
Exercised	(1,050,000)	\$	0.10
Expired	(2,950,000)	\$	0.10
Outstanding and exercisable June 30, 2011	-	\$	-

At June 30, 2011, there were no share purchase warrants outstanding.

9. RELATED PARTIES

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and accounting fees paid to related parties are as follows:

	Six months ended June 30	
	2011	2010
Management fees paid to the President	\$ 30,000	\$ 30,000
Consulting fees paid to a company controlled by the spouse of the President	12,000	12,000
Consulting fees paid to a director	7,500	7,500
Accounting fees paid to an officer	9,000	9,000
Total	\$ 58,500	\$ 58,500

At June 30, 2011, prepaid expenses include \$543 (2010 - \$509) paid to a company controlled by a director for future expenses.

INLET RESOURCES LTD.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2011 (Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Canada. The Company includes cash and the components of shareholders' equity in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company manages its capital requirements through the preparation of annual expenditure budgets, which are updated regularly to take into account factors such as successful financings to fund activities, changes in property holdings and related obligations, and exploration activities. The Company is not subject to externally imposed capital requirements.