

**INLET RESOURCES LTD.**

**INTERIM FINANCIAL STATEMENTS**

**June 30, 2007**  
**(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 June 30, 2007

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### NOTICE TO READER

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The interim balance sheet as at June 30, 2007 and the interim statements of loss and deficit, 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 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*

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David Baker, Director  
Vancouver, BC Canada  
August 29, 2007

*/s/ Earl Terris*

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Earl Terris, Director  
Vancouver, BC Canada  
August 29, 2007

# INLET RESOURCES LTD.

## INTERIM BALANCE SHEETS

(Expressed in Canadian Dollars)

	June 30, 2007 <i>(Unaudited)</i>	December 31, 2006 <i>(Audited)</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 724,560	\$ 855,084
Due from broker	-	-
GST receivable	4,073	7,577
Amounts receivable	1,404	1,404
Prepaid expenses	24,381	16,826
Marketable securities (Note 3)	1,005,800	184,839
	<u>1,760,218</u>	<u>1,065,730</u>
<b>Equipment</b> (Note 4)	6,721	7,681
<b>Mineral Property</b> (Note 5)	52,652	49,938
	<u>\$ 1,819,591</u>	<u>\$ 1,123,349</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 9,390	\$ 19,738
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock</b> (Note 6)	14,389,526	14,387,126
<b>Contributed Surplus</b> (Note 7)	460,904	460,904
<b>Accumulated other comprehensive income</b> (Note 8)	820,961	-
<b>Deficit</b>	(13,861,190)	(13,744,419)
	<u>1,810,201</u>	<u>1,103,611</u>
	<u>\$ 1,819,591</u>	<u>\$ 1,123,349</u>

Approved on Behalf of the Board of Directors:

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

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"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 June 30		Six months ended June 30	
	2007	2006	2007	2006
<b>Expenses</b>				
Accounting fees	\$ 9,875	\$ 9,670	\$ 12,125	\$ 14,670
Amortization	480	360	960	720
Consulting and administration fees	21,463	19,400	41,113	44,536
Foreign exchange loss	-	-	-	297
Interest and bank charges	104	145	204	306
Legal fees	-	4,677	-	12,322
Management fees	12,000	12,000	24,000	23,000
Rent, telephone, office expenses	13,885	4,140	33,464	17,018
Shareholders' communication	3,131	5,083	5,658	14,583
Transfer agent and filing fees	4,026	4,268	9,011	20,907
Travel and promotion	-	3,189	-	6,930
<b>Loss Before Other Items</b>	<b>64,964</b>	<b>62,932</b>	<b>126,535</b>	<b>155,289</b>
<b>Other Items</b>				
Write-off deferred expenses on Red Lake Property	-	-	-	2,437
Unrealized holding gain in marketable securities	-	(8,600)	-	(28,800)
Interest income	(4,712)	(7,205)	(9,764)	(8,709)
	<b>(4,712)</b>	<b>(15,805)</b>	<b>(9,764)</b>	<b>(35,072)</b>
<b>Net Loss For The Period</b>	<b>60,252</b>	<b><u>47,127</u></b>	<b>116,771</b>	<b><u>120,217</u></b>
<b>Other comprehensive income (Note 3)</b>	<b><u>(31,400)</u></b>		<b><u>(415,400)</u></b>	
<b>Comprehensive loss (income)</b>	<b><u>28,852</u></b>		<b><u>(298,629)</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 June 30		Six months ended June 30	
	2007	2006	2007	2006
Deficit, Beginning Of Period	\$ (13,800,938)	\$ (13,456,965)	\$ (13,744,419)	\$ (13,378,775)
Net loss for the period	(60,250)	(47,127)	(116,771)	(120,217)
Deficit, End Of Period	<u>\$ (13,861,190)</u>	<u>\$ (13,498,992)</u>	<u>\$ (13,891,190)</u>	<u>\$ (13,498,992)</u>
Loss Per Share, Basic and diluted	\$		0.05	\$ 0.03
Weighted Average Common Shares Outstanding			<u>6,145,242</u>	<u>3,931,872</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 June 30		Six months ended June 30	
	2007	2006	2007	2006
<b>Cash Flows Provided By (Used In):</b>				
<b>Operating Activities</b>				
Comprehensive income (loss) for the period	\$ (28,852)	\$ (47,127)	\$ 298,629	\$ (120,217)
Items not involving cash:				
Amortization	480	360	960	720
Other comprehensive income	(31,400)		(415,400)	-
Gain in value of marketable securities	-	(8,600)	-	(28,800)
	(59,772)	(55,367)	(115,811)	(148,297)
Net changes in non-cash working capital items:				
Accounts receivable	1,474	148,678	3,504	155,671
Prepaid expenses	271	(10,809)	(7,555)	(12,059)
Accounts payable and accrued liabilities	(138)	(5,350)	(10,348)	(12,315)
	(58,165)	77,152	(130,210)	(17,000)
<b>Investing Activities</b>				
Deferred expenses	-	-	(2,714)	-
	-	-	(2,714)	-
<b>Financing Activity</b>				
Issue of share capital	2,400	-	2,400	437,805
	2,400	-	2,400	437,805
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(55,765)</b>	<b>77,152</b>	<b>(130,524)</b>	<b>420,805</b>
<b>Cash And Cash Equivalents, Beginning Of Period</b>	<b>780,325</b>	<b>549,412</b>	<b>855,084</b>	<b>205,759</b>
<b>Cash And Cash Equivalents, End Of Period</b>	<b>\$ 724,560</b>	<b>\$ 626,564</b>	<b>\$ 724,560</b>	<b>\$ 626,564</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.**

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

**June 30, 2007**

(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.

During the year ended December 31, 2006, the Company consolidated its share capital on a 30 old for 1 new basis. The name of the Company was unchanged.

The number of shares and issue and exercise prices per share in these financial statements have been restated to reflect the share consolidation.

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 \$13,861,190, 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) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and short term deposits with maturities of 90 days or less when acquired.

#### **b) 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

June 30, 2007

(Expressed in Canadian Dollars)

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

#### d) 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

June 30, 2007

(Expressed in Canadian Dollars)

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

#### 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) 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.

#### h) 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

June 30, 2007

(Expressed in Canadian Dollars)

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

#### h) 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.

#### i) 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.

#### j) 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

June 30, 2007

(Expressed in Canadian Dollars)

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

#### k) 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 year. During the six months ended June 30, 2007 and 2006, all of the outstanding stock options and warrants were anti-dilutive.

#### l) 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.

#### m) 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

June 30, 2007

(Expressed in Canadian Dollars)

### 3. MARKETABLE SECURITIES

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Goldbrook Ventures Inc. (a related company) – 3,160,000 common shares (quoted at market value) (December 31, 2006 – quoted at lower of market and cost at \$169,839)	<b>\$ 963,800</b>	\$ 169,839
RPT Uranium Corp. – 60,000 common shares (quoted at market value) (December 31, 2006 – quoted at lower of market and cost at \$15,000)	<b>42,000</b>	15,000
	<b><u>\$ 1,005,800</u></b>	<b><u>\$ 184,839</u></b>

As at June 30, 2007, 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 a common director and common officer, and 60,000 common shares of RPT Uranium Corp. (formerly Rampart Ventures Ltd.). 3,000,000 of the Goldbrook common shares were received pursuant to an option agreement between the Company and Goldbrook and were recorded at a cost of \$141,839 (Note 5).

The marketable securities were quoted and recorded at lower of market and cost on and before December 31, 2006.

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

June 30, 2007

(Expressed in Canadian Dollars)

### 4. EQUIPMENT

	June 30, 2007		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture	<b>\$ 9,601</b>	<b>\$ 2,880</b>	<b>\$ 6,721</b>
	June 30, 2006		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Equipment	<b>\$ 57,413</b>	<b>\$ 55,254</b>	<b>\$ 2,159</b>

During 2006, the Company removed its computer equipment from its books, as the assets were no longer in use.

### 5. MINERAL PROPERTIES

#### Broken Hill-Leo Property

On September 26, 2006, the Company entered into an option agreement with Timer Explorations Inc., 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.

Exploration costs incurred to date include:

	June 30, 2007	December 31, 2006
Claims and maintenance	2,664	-
Geological consulting fees	\$ 17,570	\$ 17,520
Travel, accommodation, food and contractor services	15,050	15,050
Equipment rental	3,800	3,800
Supplies and sampling	13,568	13,568
	<b>\$ 52,652</b>	<b>\$ 49,938</b>

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2007

(Expressed in Canadian Dollars)

### 5. MINERAL PROPERTIES (cont'd)

#### Red Lake Gold Property

During 2003, the Company agreed to acquire a 100% interest in a 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 66,667 shares.

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 Company received an option payment of \$25,000 and 100,000 shares of Rampart valued at \$0.15 per share in the year ended December 31, 2004. On March 1, 2005, Rampart Ventures Ltd. terminated the option agreement.

Based on the exploration results, there is no future value in the property and, accordingly, the Company wrote off the acquisition costs and exploration expenditures associated with the Red Lake Gold property.

During the year ended December 31, 2006, the Company incurred \$2,437 expenses relating to Red Lake property, which were charged directly to operations.

#### Ungava and Wakeham Property

On February 3, 2003, the Company acquired a 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"), a company related by common directors. The Company granted Goldbrook the exclusive right and option to acquire an undivided 80% interest in 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 by August 6, 2007.

On July 30, 2004, the Company announced that it had reached an agreement with 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.

During the year ended December 31, 2005, the Company wrote off the \$1 nominal value of the property. The Company no longer has any interest in claims.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

**June 30, 2007**

(Expressed in Canadian Dollars)

### 6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Common Shares Issued and Outstanding

	Six months ended June 30, 2007		Year ended December 31, 2006	
	SHARES	AMOUNT	SHARES	AMOUNT
Balance, beginning of period	<b>6,141,817</b>	<b>\$ 14,387,126</b>	2,141,817	\$ 13,586,210
Issued during the period for cash:				
Private placement at \$0.225/share	-	-	2,000,000	450,000
Finder's fees/ Agent fees	-	-	-	(12,194)
Private placement at \$0.20/share	-	-	2,000,000	400,000
Exercise of stock options	<b>10,000</b>	<b>2,400</b>	-	-
Total issued during the period	<b>10,000</b>	<b>\$ 2,400</b>	4,000,000	837,806
Tax benefit on flow through shares	-	-	-	(36,890)
Balance, end of period	<b>6,151,817</b>	<b>\$ 14,389,526</b>	6,141,817	\$ 14,387,126

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

**June 30, 2007**

(Expressed in Canadian Dollars)

### 6. 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 six months ended June 30, 2007.

A summary of the Company's outstanding stock options as of June 30, 2007 and the changes during the period are presented below:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at December 31, 2005	155,115	\$ 3.00
Cancelled	(64,000)	3.00
Granted	523,000	0.24
Outstanding and exercisable at December 31, 2006	614,115	\$ 0.65
Exercised	(10,000)	0.24
Outstanding and exercisable at June 30, 2007	<b>604,115</b>	<b>\$ 0.66</b>

Incentive stock options outstanding at June 30, 2007 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
513,000	November 30, 2011	\$ 0.24
<b>604,115</b>		

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

**June 30, 2007**

(Expressed in Canadian Dollars)

### 6. SHARE CAPITAL (Continued)

#### d) Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at June 30, 2007 and the changes during the quarter are presented below:

	<b>NUMBER</b>	<b>WEIGHTED AVERAGE EXERCISE PRICE</b>
Outstanding and exercisable at December 31, 2005	699,000	\$ 3.00
Expired/Cancelled	(500,000)	3.00
Issued	<u>4,000,000</u>	0.28
Outstanding and exercisable at December 31, 2006	4,199,000	\$ 0.41
Expired	(199,000)	3.00
<b>Outstanding and exercisable at June 30, 2007</b>	<b><u>4,000,000</u></b>	<b><u>\$ 0.28</u></b>

At June 30, 2007, there were 4,000,000 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>
2,000,000	January 20, 2008	\$ 0.30
<u>2,000,000</u>	August 24, 2008	\$ 0.265
<u>4,000,000</u>		

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2007

(Expressed in Canadian Dollars)

### 7. CONTRIBUTED SURPLUS

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Balance, beginning of period	\$ 460,904	\$ 339,088
Stock option compensation	-	121,816
Balance, end of period	<u>\$ 460,904</u>	<u>\$ 460,904</u>

### 8. ACCUMULATED OTHER COMPREHENSIVE INCOME

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 (Note 3). The change of unrealized gain or loss of the marketable securities (other comprehensive income) is reflected in "accumulated other comprehensive income". An adjustment to the opening accumulated other comprehensive income was made to bring the opening value of marketable securities from lower of cost and market to market value. The changes of accumulated other comprehensive income during the period are:

	<u>June 30, 2007</u>
Balance, beginning of period	\$ -
Adjustment to opening balance	405,561
Other comprehensive income for the period	<u>415,400</u>
Balance, end of period	<u>\$ 820,961</u>

### 9. CONTINGENT LIABILITIES AND COMMITMENTS

The Company is not aware of any significant contingent liabilities or guarantees as at June 30, 2007. 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

June 30, 2007

(Expressed in Canadian Dollars)

### 10. RELATED PARTIES

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

	Six months ended June 30	
	2007	2006
Management fees	\$ 24,000	\$ 23,000
Consulting fees – shareholders communication	15,000	15,000
Total	<u>\$ 39,000</u>	<u>\$ 38,000</u>

In the six months ended June 30, 2007, management fees of \$24,000 (2006 - \$23,000) were paid to the president, who is also a director, of the Company. Consulting fees related to shareholders' communication of \$15,000 (2006 - \$15,000) were paid to a company controlled by the spouse of the president.

At June 30, 2007, accounts payable and accrued liabilities included \$924 (2006 - \$924) due to a director of the Company.

At June 30, 2007, accounts receivable include the offices expenses paid on behalf of companies with common directors and management in the amount of \$1,404 (2006 – \$1,404).

At June 30, 2007, prepaid expenses include \$10,500 paid to companies controlled by a director for future management fees and other expenses.

# INLET RESOURCES LTD.

## NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2007

(Expressed in Canadian Dollars)

### 12. 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.

#### *Liquidity Risk*

The Company is exposed to liquidity risk with respect to its investments in marketable securities, as the Company may encounter difficulty selling the shares.