

INLET RESOURCES LTD.
INTERIM FINANCIAL STATEMENTS
March 31, 2005
(Unaudited)

NOTICE TO READER

INTERIM BALANCE SHEETS

INTERIM STATEMENTS OF LOSS AND DEFICIT

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

INLET RESOURCES LTD.

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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 March 31, 2005.

NOTICE TO READER

The interim balance sheet as at March 31, 2005 and the interim statements of loss and deficit, and the interim statements of cash flows for the three 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, Moen and 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
May 15, 2005

/s/ Cynthia Avelino

Cynthia Avelino
Vancouver, BC Canada
May 15, 2005

INLET RESOURCES LTD.
BALANCE SHEET
March 31, 2005
(In Canadian Dollars)
(With Comparative Figures at December 31, 2004)

ASSETS	<u>Mar. 31, 2005</u>	<u>Dec. 31, 2004</u>
Current Assets		
Cash	\$ 355,809	\$ 474,578
GST and other receivables	7,440	4,867
Prepaid expenses	8,249	-
	<u>371,498</u>	<u>479,445</u>
Investment in public company shares, at cost (See Note 12)	<u>89,000</u>	<u>89,000</u>
 Mineral Properties (Note 5)		
Acquisition costs	220,001	220,001
Deferred exploration costs	7,152	689
	<u>227,153</u>	<u>220,690</u>
 Office Equipment and Accumulated Amortization (Note 3(e))		
Office equipment, at cost	57,413	57,413
Less: accumulated amortization	<u>(53,454)</u>	<u>(53,049)</u>
	<u>3,959</u>	<u>4,319</u>
 Long-term investments (Note 9)	<u>141,839</u>	<u>141,839</u>
	<u>\$ 833,449</u>	<u>\$ 935,293</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 20,746</u>	<u>\$ 20,132</u>
 Shareholders' Equity		
Capital stock (Notes 6, 7 & 8)		
Authorized:		
100,000,000 common shares without par value		
Issued:		
58,284,437 common shares		
(2003 – 43,284,437 common shares)	13,306,960	13,306,960
Stock option compensation	339,088	339,088
Deficit, accumulated during the development stage (Note 2)	<u>(12,833,345)</u>	<u>(12,730,887)</u>
	<u>812,703</u>	<u>915,161</u>
	<u>\$ 833,449</u>	<u>\$ 935,293</u>

APPROVED ON BEHALF OF THE BOARD:

"David Baker" (Signed)

 Director

"Cynthia Avelino" (Signed)

 Director

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

INLET RESOURCES LTD.
INTERIM STATEMENT OF INCOME (LOSS)
FIRST QUARTER ENDED MARCH 31, 2005
(In Canadian Dollars)
(With Comparative Figures for the First Quarter Ended March 31, 2004)

	Three Months Ended March 31	
	2005	2004
INTEREST AND OTHER REVENUE	\$ 1,281	\$ 10
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting, audit, and legal fees	7,500	10,993
Amortization	360	766
Consulting and administration fees	15,970	8,895
Foreign exchange loss	-	26
Interest and bank charges	434	103
Management fees	10,500	2,500
Rent, telephone, office expenses and services	25,640	11,426
Shareholders' communication fees and expense	23,637	9,259
Transfer agent and filing fees and services	8,324	4,724
Travel and promotion	11,374	1,363
Loss on sale of investments	--	93
	<u>103,739</u>	<u>50,148</u>
NET LOSS FOR THE PERIOD	<u>\$ (102,458)</u>	<u>\$ (50,138)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average shares outstanding		
- Basic	<u>58,284,437</u>	<u>43,284,437</u>
- Diluted	<u>79,837,031</u>	<u>53,869,437</u>

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

INLET RESOURCES LTD.
INTERIM STATEMENT OF RETAINED EARNINGS (DEFICIT)
FIRST QUARTER ENDED MARCH 31, 2005
(In Canadian Dollars)
(With Comparative Figures for the First Quarter Ended March 31, 2004)

	<u>2005</u>	<u>2004</u>
DEFICIT, BEGINNING OF PERIOD	\$ (12,730,887)	\$ (12,158,935)
NET LOSS FOR THE PERIOD	<u>(102,458)</u>	<u>(50,138)</u>
DEFICIT, END OF PERIOD	<u>\$ (12,833,345)</u>	<u>\$ (12,209,073)</u>

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

INLET RESOURCES LTD.
INTERIM STATEMENT OF CASH FLOWS
FIRST QUARTER ENDED MARCH 31, 2005
(In Canadian Dollars)
(With Comparative Figures for the First Quarter Ended March 31, 2004)

	<u>2005</u>	<u>2004</u>
FUNDS DERIVED FROM (APPLIED TO)		
Operating activities		
Net loss for the year	\$ (102,458)	\$ (50,138)
Less: Non-cash items		
Amortization	360	766
Changes in non-cash working capital items		
Accounts receivable	(2,573)	877
Prepaid expenses	(8,249)	-
Accounts payable	614	20,765
Securities	-	20,000
	<u>(112,306)</u>	<u>(7,730)</u>
Investing activities		
Deferred exploration costs	<u>(6,463)</u>	<u>-</u>
Financing activities		
Common shares issued	<u>-</u>	<u>--</u>
CASH, (DECREASE)		
DURING THE PERIOD	(118,769)	(7,730)
CASH, BEGINNING OF PERIOD	<u>474,578</u>	<u>14,253</u>
CASH, END OF PERIOD	\$ <u>355,809</u>	\$ <u>6,523</u>

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

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

Note 1. **Business of the Company**

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

Note 2. **Nature of Operations**

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

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

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

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

(b) **Property Option Agreements**

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

(c) **Values**

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

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

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

(d) **Basis of Presentation**

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

(e) **Office Equipment**

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

	March 31,	
	2005	2004
Cost	\$ 57,413	\$ 52,014
Accumulated Amortization	(53,454)	(52,014)
	\$ 3,959	\$ -

(f) **Foreign Currency**

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

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

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

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

(g) **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas where management's judgment is applied include asset and investment valuations, equipment lives, contingent liabilities, tax provisions and future income tax balances, asset retirement obligations and other accrued liabilities. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(h) **Employee Future Benefits**

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

(i) **Environmental Issues**

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

The operations of the company may in the future be affected from time to time to varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

(j) **Recognition Criteria**

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

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

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

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

(k) **Asset Retirement Obligations**

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

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

(l) **Stock-based compensation**

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

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

	<u>Net Loss</u>	<u>Weighted Average Shares Outstanding</u>	<u>Loss Per Share</u>
Basic Earnings (Loss) per Share	\$ (102,458)	58,284,437	\$ <u>(0.00)</u>
Effect of options		5,683,444	
Effect of warrants		<u>15,869,150</u>	
Diluted Earnings (Loss) per Share	\$ <u>(571,952)</u>	<u>79,837,031</u>	\$ <u>(0.00)</u>

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

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

Note 4. **Contingent Liabilities and Commitments**

The Company is not aware of any significant contingent liabilities or guarantees as at March 31, 2005. The Company has reserved shares for the commitment to issue shares in the event of the exercise of incentive stock options (Note 7) or share purchase warrants. (Note 8)

Note 5. **Resource Properties**

A. Mineral Properties

Red Lake Gold Property

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

The costs and deferred exploration costs as at March 31, 2005 are as follows:

Red Lake Gold Property

Acquisition cost - 100% interest		
- Cash payment	\$	60,000
- 2,000,000 shares per agreement		<u>200,000</u>
		260,000
Deduct: Option payment received from Rampart		(25,000)
100,000 Rampart shares received (@\$0.15/share)		<u>(15,000)</u>
	\$	220,000
Deferred expenses – claims maintenance		
- Claims maintenance		4,452
- Consulting (Geological)		<u>2,700</u>
		<u>7,152</u>
Total Red Lake Properties		<u><u>227,152</u></u>

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. As per the terms of the agreement, the Company received an option payment of \$25,000 and 100,000 shares of Rampart.

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

The Company recently received the project reports for the 2004 exploration program and is in the process of formulating a plan to continue exploring this early stage gold exploration target during the 2005 summer season.

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

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

Ungava 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"). 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 for the next 4 years.

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

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

Note 6. **Capital Stock**

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

	2005		2004	
	Shares	\$	Shares	\$
Balance, beginning of period	58,284,437	\$ 13,306,960	43,284,437	\$ 12,573,608
Issued during the period	-	-	-	-
Total issued during the year	-	-	-	-
Balance, end of year	58,284,437	\$ 13,306,960	43,284,437	\$ 12,573,608

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

Note 7. **Incentive Stock Options**

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

A summary of the Company's outstanding stock options as of March 31, 2005 and the changes during the current quarter are presented below:

	<u>Number</u>	<u>Exercise Price</u>
Outstanding and exercisable at December 31, 2004	5,813,444	\$0.10
Granted	-	
Expired	<u>(490,000)</u>	\$0.10
Outstanding and exercisable at March 31, 2005	<u>5,323,444</u>	<u>\$0.10</u>

During the three months ended March 31, 2005, there were no stock options granted.

Incentive Stock options outstanding at March 31, 2005 to Directors, Officers and key employees are as follows:

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price Per Share</u>
670,000	October 2, 2005	\$0.10
270,000	December 8, 2007	\$0.10
<u>4,383,444</u>	July 8, 2009	\$0.10
<u>5,323,444</u>		

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

Note 8. **Share Purchase Warrants**

During the three months ended March 31, 2005, there were no share purchase warrants issued.

At March 31, 2005, there were 15,869,150 outstanding share purchase warrants entitling the holders thereof the right to purchase one common share for each warrant held as follows:

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

Note 9. **Long Term Investments**

As at March 31, 2005, long term investments are recorded at cost and consist of 3,000,000 common shares of Goldbrook Ventures Inc. ("Goldbrook"), a public company with a common director and common officer. 3,000,000 common shares have been placed in escrow and are to be released to the Company on the basis of one share for each \$0.42 in expenditures made by Goldbrook on the Ungava Property (Note 5)

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

Note 10. **Related Parties**

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

Expense	Three Months Ended March 31,	
	2005	2004
Management fees	\$ 10,500	\$ 2,500
Corporate & administration fees	-	7,500
Regulatory services	4,500	-
Total	<u>\$ 15,000</u>	<u>\$ 10,000</u>

At March 31, 2005, accounts payable and accrued liabilities included \$986 due to a director of the Company and \$4,677 owing to companies related by virtue of common directors for miscellaneous expenses paid by the related company on behalf of the Company.

INLET RESOURCES LTD.
Notes to Interim Financial Statements
March 31, 2005

Note 12. **Financial Instruments**

For cash and equivalents, accounts receivable, investment in public company shares, and accounts payable and accrued liabilities, the carrying amounts of these financial instruments approximate their fair value, except for the investment in public company shares which are recorded at cost of \$89,000, with a market value of \$75,200 at March 31, 2005; the decrease in value of \$13,800 is not recorded in these financial statements.

Note 13. **Risk Factors**

Concentration of credit risk

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

Interest rate risk

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

Note 14. **Subsequent Events**

On April 29, 2005, the Company announced that it had arranged a non-brokered private placement involving the issuance of up to 10,000,000 units (the "Units") at a price of \$0.05 per Unit for gross proceeds of up to \$500,000. Each Unit will be comprised of one common share and one common share purchase warrant; each warrant exercisable into one additional common share for a period of two years from the Closing Date at an exercise price of \$0.10.

The private placement will be comprised of flow-through and non-flow-through Units. Shares issued pursuant to the exercise of the Warrants will be non-flow-through shares.

In addition to working capital purposes, the proceeds of the private placement will be applied towards further recommended work programs on its Red Lake property and for evaluating new projects and potential acquisitions.

A finder's fee may apply in this financing in accordance with Exchange policies.

The private placement is subject to regulatory approvals.