

**AMANTA RESOURCES LTD.**

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

February 28, 2005 and February 29, 2004

(Stated in Canadian Dollars)

## AUDITORS' REPORT

To the Shareholders,  
Amanta Resources Ltd.

We have audited the consolidated balance sheets of Amanta Resources Ltd. as at February 28, 2005 and February 29, 2004 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2005 and February 29, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada  
June 2, 2005

**"AMISANO HANSON"**  
Chartered Accountants

**AMANTA RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
February 28, 2005 and February 29, 2004  
(Stated in Canadian Dollars)

	<u>ASSETS</u>	February 28, <u>2005</u>	February 29, <u>2004</u>
Current			
Cash and cash equivalents		\$ 2,266,661	\$ 281,665
Other receivables		3,516	-
GST receivable		<u>8,324</u>	<u>9,330</u>
		2,278,501	290,995
Deposits		925	-
Equipment – Note 3		4,498	468
Exploration advance – Notes 4 and 5		80,190	-
Mineral properties – Notes 4, 5, 8 and Schedule 1		<u>866,291</u>	<u>321,718</u>
		<u>\$ 3,230,405</u>	<u>\$ 613,181</u>

**LIABILITIES**

Current			
Accounts payable and accrued liabilities – Note 5		\$ 145,435	\$ 327,783
Due to related parties – Note 5		<u>-</u>	<u>127,286</u>
		<u>145,435</u>	<u>455,069</u>

**SHAREHOLDERS' EQUITY**

Share capital – Notes 6 and 8	9,201,886	5,564,606
Contributed surplus – Note 6	312,000	-
Share subscriptions – Note 6	2,000	535,000
Deficit	<u>(6,430,916)</u>	<u>(5,941,494)</u>
	<u>3,084,970</u>	<u>158,112</u>
	<u>\$ 3,230,405</u>	<u>\$ 613,181</u>

Nature and Continuance of Operations – Note 1  
Commitments – Notes 4, 6 and 8  
Subsequent Events – Notes 4, 6 and 8

APPROVED BY THE DIRECTORS:

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*“Dr. Gerald D. Wright”* Director      \_\_\_\_\_  
*“Patrick Cauley”* Director

SEE ACCOMPANYING NOTES

**AMANTA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
for the years ended February 28, 2005 and February 29, 2004  
(Stated in Canadian Dollars)

	<u>2005</u>	<u>2004</u>
General and Administrative Expenses		
Accounting, audit and legal fees – Note 5	\$ 37,340	\$ 27,341
Amortization	767	117
Consulting fees – Note 5	46,000	30,638
Filing fees	11,226	21,877
Office and miscellaneous	11,357	23,651
Rent	9,067	8,400
Sponsorship fee	-	30,000
Stock-based compensation – Note 6	312,000	-
Transfer agent	5,695	3,990
Travel	56,203	3,921
Wages and benefits	<u>-</u>	<u>6,452</u>
Loss before Other	<u>(489,655)</u>	<u>(156,387)</u>
Other:		
Interest income	1,416	343
Foreign exchange loss	<u>(1,183)</u>	<u>-</u>
	<u>233</u>	<u>343</u>
Net loss for the year	(489,422)	(156,044)
Deficit, beginning of the year	<u>(5,941,494)</u>	<u>(5,785,450)</u>
Deficit, end of the year	<u>\$ (6,430,916)</u>	<u>\$ (5,941,494)</u>
Basic and diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.08)</u>
Weighted average number of shares outstanding	<u>9,262,440</u>	<u>2,060,364</u>

SEE ACCOMPANYING NOTES

**AMANTA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
for the years ended February 28, 2005 and February 29, 2004  
(Stated in Canadian Dollars)

	<u>2005</u>	<u>2004</u>
Operating Activities		
Net loss for the year	\$ (489,422)	\$ (156,044)
Add items not involving cash:		
Amortization	767	117
Stock-based compensation	<u>312,000</u>	<u>-</u>
	(176,655)	(155,927)
Changes in non-cash working capital items:		
Other receivables	(3,516)	-
GST receivable	1,006	(6,626)
Accounts payable and accrued liabilities	<u>(182,348)</u>	<u>262,315</u>
	<u>(361,513)</u>	<u>99,762</u>
Investing Activities		
Equipment additions	(4,797)	-
Deposits	(29,536)	2,125
Exploration advance	(80,190)	-
Mineral property costs	<u>(515,962)</u>	<u>(321,718)</u>
	<u>(630,485)</u>	<u>(319,593)</u>
Financing Activities		
Decrease in due to related parties	-	(22,900)
Issuance of common shares	2,974,994	-
Share subscriptions	<u>2,000</u>	<u>510,000</u>
	<u>2,976,994</u>	<u>487,100</u>
Increase in cash during the year	1,984,996	267,269
Cash and cash equivalents, beginning of the year	<u>281,665</u>	<u>14,396</u>
Cash and cash equivalents, end of the year	<u>\$ 2,266,661</u>	<u>\$ 281,665</u>
Cash and cash equivalents consist of:		
Cash	\$ 2,266,661	\$ 31,665
Term deposit	<u>-</u>	<u>250,000</u>
	<u>\$ 2,266,661</u>	<u>\$ 281,665</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash Transactions – Note 9		

SEE ACCOMPANYING NOTES

**AMANTA RESOURCES LTD.**  
**SCHEDULE OF RESOURCE PROPERTIES**  
for the years ended February 28, 2005 and February 29, 2004  
(Stated in Canadian Dollars)

	Balance February 29, <u>2003</u>	<u>Additions</u>	Balance February 29, <u>2004</u>	<u>Additions</u>	Balance February 28, <u>2005</u>
Langu and Arun claims, Thailand					
Acquisition costs					
Cash	\$ -	\$ 101,510	\$ 101,510	\$ 17,850	\$ 119,360
Deferred exploration costs					
Assay	-	6,534	6,534	-	6,534
Field administration – Note 5	-	15,939	15,939	140,029	155,968
Geological fees – Note 5	-	82,043	82,043	194,628	276,671
Licenses	-	-	-	14,962	14,962
Reports	-	5,211	5,211	-	5,211
Supplies	-	8,419	8,419	-	8,419
Surveys	-	24,808	24,808	-	24,808
Translation	-	2,243	2,243	-	2,243
Travel – Note 5	-	44,237	44,237	115,178	159,415
Wages – Note 5	-	30,774	30,774	33,315	64,089
	-	220,208	220,208	498,112	718,320
Deposits – Performance bonds	-	-	-	28,611	28,611
	\$ -	\$ 321,718	\$ 321,718	\$ 544,573	\$ 866,291

SEE ACCOMPANYING NOTES

**AMANTA RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
February 28, 2005 and February 29, 2004  
(Stated in Canadian Dollars)

Note 1 Nature and Continuance of Operations

The Company is a development stage public company listed on the TSX Venture Exchange ("TSX") and is in the business of acquiring, exploring and evaluating mineral properties, and either developing these properties further or disposing of them when the evaluation is completed. At February 28, 2005, the Company held mineral property interests located in Thailand.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

These consolidated financial statements have been prepared on a going concern basis. As at February 28, 2005, the Company had not achieved profitable operations and has accumulated losses totalling \$6,430,916 since inception. Its ability to continue as a going concern is dependent upon the ability of the Company to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

During the year ended February 28, 2005, the Company was dissolved in the State of Wyoming, USA and was continued in British Columbia.

Note 2 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as established in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involved the use of estimates that have been made using careful judgement. Actual results may vary from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 2     Significant Accounting Policies – (cont'd)

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned inactive subsidiary, Adnet, USA LLC. All intercompany transactions have been eliminated.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

c) Equipment and Amortization

Equipment is recorded at cost. Amortization is provided over their useful life using the declining balance method at the following rates:.

Computer equipment	30%
Office equipment	20%

d) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Fully diluted amounts are not presented when the effect of the computations are antidilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

e) Foreign Currency Translation

i) Translation of foreign transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are transmitted at exchange rates prevailing when the assets were acquired or liabilities incurred. Income and expense items are translated at the exchange rates prevailing on the date of the transaction. Resulting exchange gains or losses are included in income.

Note 2     Significant Accounting Policies – (cont'd)

e) Foreign Currency Translation – (cont'd)

ii) Translation of foreign operations

Adnet USA LLC is an integrated foreign subsidiary. Their financial statements are translated using the temporal method. Under this method, monetary assets are translated at the exchange rates prevailing at the balance sheet date, non-monetary assets are translated at exchange rates prevailing when the assets were acquired or liabilities incurred and income and expense items are translated at the exchange rates prevailing on the date of the transaction.

f) Financial Instruments

The carrying value of cash and cash equivalents, other receivables, accounts payable and accrued liabilities and due to related parties approximates fair value because of the short maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

g) Income Taxes

The Company has adopted the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

h) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

Note 2     Significant Accounting Policies – (cont'd)

i) Mineral Properties – (cont'd)

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

j) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

k) Stock-based Compensation

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 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, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Note 3 Equipment

	February 28, 2005		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 3,864	\$ 580	\$ 3,284
Office equipment	<u>6,980</u>	<u>5,766</u>	<u>1,214</u>
	<u>\$ 10,844</u>	<u>\$ 6,346</u>	<u>\$ 4,498</u>
	February 29, 2004		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	<u>\$ 6,047</u>	<u>\$ 5,579</u>	<u>\$ 468</u>

Note 4 Mineral Properties – Notes 5, 8 and Schedule 1

Langu and Arun Claims, Thailand

a) Langu

By an agreement dated July 23, 2002 and amended April 30, 2003, the Company agreed to acquire 100% of the licences to a gold prospect property, (“Langu”) comprised of 2,500 hectares of land in the Satun Province, Southern Thailand for US\$50,000 (paid) and the reimbursement of up to US\$125,000 (paid) in exploration costs and other obligations related to the licenses as advanced by the vendor. The Company also agreed, subject to closing of the agreement, to fund a two phase work program on the licenses, for a total cost of approximately US\$358,400. This property is subject to a 2% net smelter royalty payable to the vendor of the property.

Note 4 Mineral Properties – Notes 5, 8 and Schedule 1 – (cont'd)

b) Arun

By an agreement dated December 30, 2002 and amended April 30, 2003, the Company agreed to purchase the right to acquire the exploration and development rights to 100% of the gold prospect property (“Arun”) comprised of 15.4 hectares of land in the Satun Province, Southern Thailand for 500,000 Baht (paid, (\$17,065)) plus four annual payments of 500,000 Baht (500,000 Baht paid, (\$19,735)). \$16,115 (500,000 Baht) is included in accounts payable which was paid subsequent to February 28, 2005. This agreement is subject to a 2% net smelter royalty payable to the vendor of the property.

At February 28, 2005, the Company has exploration advances outstanding totalling \$80,190. This amount was used for exploration costs incurred subsequent to February 28, 2005.

Note 5 Related Party Transactions – Notes 6 and 8

a) The Company incurred the following amounts charged by directors of the Company, officers of the Company, companies controlled by directors of the Company and a former director of the Company:

	Year ended	
	February 28, <u>2005</u>	February 29, <u>2004</u>
Accounting fees	\$ 2,100	\$ 4,450
Consulting fees	46,000	30,638
Mineral property deferred exploration costs:		
Field administration	48,603	-
Geological fees	107,860	-
Travel	38,805	-
Wages	<u>8,819</u>	<u>-</u>
	<u>\$ 252,187</u>	<u>\$ 35,088</u>

The charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Note 5      Related Party Transactions – Notes 6 and 8 – (cont'd)

- b) The exploration advance of \$80,190 (2004: \$Nil) was paid to a company with a common director.

Accounts payable at February 28, 2005 includes \$74,924 (February 29, 2004: \$26,339) due to a Company controlled by a director of the Company and directors and officers of the Company in respect to unpaid fees. There was also \$Nil (February 29, 2004: \$234,170) owing to a company with a common director in respect to mineral property costs.

Due to related parties is due to directors of the Company in respect to unpaid advances to the Company.

The amounts due to related parties and owing to related companies included in accounts payable are non-interest bearing, unsecured and are payable on demand.

- c) During the year ended February 28, 2005, directors, officers and companies controlled by directors of the Company were issued 6,720,000 common shares (2004: \$Nil) for total proceeds of \$674,000 (2004: \$Nil) pursuant to private placements. These places were also issued 6,710,000 share purchase warrants. Each warrant entitles the holder to purchase an additional common share at \$0.20 and \$0.45 per share with expiry dates of June 25, 2006 and February 28, 2007, respectively.

During the year ended February 28, 2005 the Company issued 1,272,860 common shares at \$0.10 per share to a former director of the Company to settle outstanding amounts totalling \$127,286.

Note 6 Share Capital – Note 8

a) Authorized:

50,000,000 common shares without par value

b) Issued:

		<u>Number</u>	<u>Amount</u>
Balance, February 29, 2004 and February 28, 2003		2,060,364	\$ 5,564,606
For cash:			
Pursuant to private placements	- at \$0.10	10,000,000	1,000,000
	- at \$0.30	9,333,498	2,800,049
Less: share issue costs		-	(325,055)
Pursuant to exercise of warrants	- at \$0.20	175,000	35,000
Pursuant to debt settlement	- at \$0.10	<u>1,272,860</u>	<u>127,286</u>
Balance, February 28, 2005		<u>22,841,722</u>	<u>\$ 9,201,886</u>

c) Commitments:

Stock-based Compensation Plan

The Company has granted common share purchase options. These options are granted with an exercise price equal to the discounted market price of the Company's shares on the date of the grant. The options vest when granted except for options granted to consultants for investor relations which vest 25% upon granting and 25% every three months thereafter. The maximum number of options outstanding is limited to 10% of the total shares issued and outstanding.

During the year ended February 28, 2005, the fair value of the share purchase options granted was \$312,000, which was expensed as stock-based compensation.

Assumptions used for the Black-Scholes model are as follows:

	<u>2005</u>	<u>2004</u>
Weighted average fair value of options granted	\$0.21	-
Expected dividend yield	0.0%	-
Expected volatility	63%	-
Risk-free interest rate	3.41%	-
Expected term in years	5	-

Note 6 Share Capital – Note 8 – (cont'd)

c) Commitments – (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the stock options granted is presented below:

	Year ended February 28, 2005		Year ended February 29, 2004	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	-	-	-	-
Granted	1,300,000	\$0.21	-	-
Cancelled/expensed	-	-	-	-
Exercised	<u>-</u>	-	<u>-</u>	-
Outstanding and exercisable, end of year	<u>1,300,000</u>	\$0.21	<u>-</u>	-

At February 28, 2005 there were 1,300,000 share purchase options outstanding exercisable into 1,300,000 common shares at \$0.21 per share. These options expire on August 10, 2009.

Share Purchase Warrants

As at February 28, 2005, there were 15,238,428 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
9,825,000	\$0.20	June 25, 2006
4,666,749	\$0.45	February 28, 2007
<u>746,679</u>	\$0.30	February 28, 2007
<u>15,238,428</u>		

Amanta Resources Ltd.  
Notes to the Consolidated Financial Statements  
February 28, 2005 and February 29, 2004  
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Note 6 Share Capital – Note 8 – (cont'd)

d) Escrow:

At February 28, 2005, 5,379,645 (2004: Nil) common shares are held in escrow by the Company's transfer agent. A total of 1,075,929 common shares are to be released every six months until all escrowed shares have been released.

e) Share Subscriptions:

As at February 28, 2005, the Company had received \$2,000 in share subscriptions for the exercise of 10,000 share purchase warrants at \$0.20 per share which were issued subsequent to February 28, 2005. As at February 29, 2004, the Company had received \$535,000 as subscriptions for a private placement of 10,000,000 units at \$0.10 per share. These units were issued during the year ended February 28, 2005.

Note 7 Income Taxes

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<u>2005</u>	<u>2004</u>
Future income tax assets:		
Net tax non-capital losses carried forward	\$ 306,627	\$ 288,639
Capital losses	190,448	190,448
Amortization	(299)	(46)
Valuation allowance for future income tax assets	<u>(496,776)</u>	<u>(479,041)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

Management considers it more-likely-than-not that the amounts will not be utilized and accordingly a full valuation allowance has been applied.

The Company has accumulated capital losses of \$488,328 and non-capital losses totalling \$786,222 that can be utilized to offset taxable income of future years. The capital losses are available indefinitely and the non-capital losses expire as follows:

2006	\$ 96,097
2007	115,220
2008	84,074
2009	66,628
2010	91,621
2011	155,927
2015	<u>176,655</u>
	<u>\$ 786,222</u>

Note 8      Subsequent Events – Notes 4 and 6

Subsequent to February 28, 2005:

- a) The Company granted 950,000 share purchase options to directors and employees of the Company. Each purchase option entitles the holder to acquire one common share at \$0.30 per share until April 6, 2010.
- b) By a memorandum of understanding dated August 31, 2004 and amended December 30, 2004, the Company was granted an option to acquire a 100% interest in the exploration and development rights of a multi-commodity mineral property in the Phrae Province in Northern Thailand for consideration of US\$100,000 (paid subsequent to February 28, 2005). Under the terms of the option, the Company is required to complete a three phase exploration and development program. Phases 1 and 2, including a pre-feasibility study, are to be completed by June 29, 2006. Phase 3, including a full feasibility study, is to be completed by June 29, 2008. Upon completion of the feasibility study, the Company will have six months to reach a decision on the economic and technical feasibility of the mine which, if approved, will require a US\$250,000 payment. This agreement is also subject to a 5% carried interest in the mining operation and a 1% net smelter royalty on any mineral production.
- c) The Company entered into management contracts dated March 1, 2005, with one director of the Company and two companies controlled by directors of the Company for a three year period ending February 28, 2007 for management services at an aggregate cost of \$39,750 per month.

Note 9      Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statements.

During the year ended February 28, 2005, the Company issued 1,272,860 common shares at \$0.10 per share valued at \$127,286 to a former director of the Company to settle \$127,286 of outstanding amounts included in due to related parties. The Company also issued 5,250,000 shares with respect to share subscriptions received during the year ended February 29, 2004.

During the year ended February 29, 2004, a loan payable of \$25,000 was repaid by consideration for subscriptions receivable.

These transactions were excluded from the statement of cash flows.

Note 10    Comparative Figures

Certain of the comparative figures for the year ended February 29, 2004 have been reclassified to conform to the current year's presentation.