CARAT EXPLORATION INC.

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2005 AND 2004

(UNAUDITED)

MINNI, CLARK & COMPANY
CERTIFIED GENERAL ACCOUNTANTS

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NOTICE TO READER

To the Shareholders,
CARAT EXPLORATION INC.

We have compiled the balance sheets of **CARAT EXPLORATION INC.** as at February 28, 2005 and 2004 and the statements of loss, deficit and cash flows for the periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

"Minni, Clark & Company"
CERTIFIED GENERAL ACCOUNTANTS

Vancouver, B.C.
April 20, 2005

CARAT EXPLORATION INC.

INTERIM BALANCE SHEETS

(UNAUDITED – SEE NOTICE TO READER)

ASSETS

	As at Feb. 28, 2005	As at Aug. 31, 2004
CURRENT		
Cash	$ 4,377	$ 68,077
Funds in trust	-	7,500
GST receivable	16,718	12,331
Provincial tax credit receivable (Note 3)	24,747	22,007
Prepaid expenses	15,000	307
	60,842	110,222
MINERAL PROPERTY (Note 4)	55,928	55,928
DEFERRED EXPLORATION COSTS (Note 4)	108,140	89,443
DEFERRED SHARE ISSUE COSTS (Note 2)	39,730	-
	$ 264,640	$ 255,593

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	$ 15,549	$ 3,210
Due to related parties (Note 6)	59,262	27,781
	74,811	30,991

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 5)	255,001	255,001
DEFICIT	(65,172)	(30,399)
	189,829	224,602
	$ 264,640	$ 255,593

APPROVED BY THE DIRECTORS:

"Charalambos Katevatis"

"Demetreus Heras"

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

CARAT EXPLORATION INC.

INTERIM STATEMENTS OF DEFERRED EXPLORATION COSTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2005 AND 2004

(UNAUDITED – SEE NOTICE TO READER)

	3 months to Feb. 28, 2005	3 months to Feb. 28, 2004	(Note 7) Oct. 16, 2003 to Aug. 31, 2004
SENECA PROPERTY			
Analytical fees	$ -	$ -	$ 4,637
Geological surveys, consulting and reports	-	-	42,040
Travel, supplies and field expenses	-	-	7,912
Project management fees	-	-	1,413
Sampling and prospecting	-	-	55,448
Mineral work fees	7,950	-	-
DEFERRED EXPLORATION COSTS FOR THE PERIOD	7,950	-	111,450
PROVINCIAL TAX CREDIT RECEIVABLE (Note 3)	-	-	(22,007)
	7,950	-	89,443
DEFERRED EXPLORATION COSTS, BEGINNING OF PERIOD	100,190	-	-
DEFERRED EXPLORATION COSTS, END OF PERIOD	$ 108,140	$ -	$ 89,443

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

CARAT EXPLORATION INC.

INTERIM STATEMENTS OF LOSS AND DEFICIT

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2005 AND 2004

(UNAUDITED – SEE NOTICE TO READER)

	3 months to Feb. 28, 2005	3 months to Feb. 28, 2004	(Note 7) Oct. 16, 2003 to Aug. 31, 2004
EXPENSES			
Filing fee	$ 1,595	$ -	$ -
Interest and bank charges	2	-	20
Management and administration fees (Note 6)	9,750	6,500	26,000
Office and miscellaneous	69	67	235
Professional fees	4,800	-	4,104
Transfer agent	758	-	40
Travel and promotion	6,697	-	-
NET LOSS FOR THE PERIOD	(23,671)	(6,567)	(30,399)
DEFICIT, BEGINNING OF THE PERIOD	(41,501)	-	-
DEFICIT, END OF PERIOD	$ (65,172)	$ (6,567)	$ (30,399)

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

CARAT EXPLORATION INC.

INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2005 AND 2004

(UNAUDITED – SEE NOTICE TO READER)

	3 months to Feb 28, 2005	3 months to Feb. 28, 2004	(Note 7) Oct. 16, 2003 to Aug. 31, 2004
OPERATING ACTIVITIES			
Net loss for the period	$ (23,671)	$ (6,567)	$ (30,399)
Changes in non-cash working capital items:			
GST receivable	(2,523)	-	(12,331)
Prepaid expenses	307	-	(307)
Provincial tax credit receivable	-	-	(22,007)
Accounts payable and accrued liabilities	15,407	-	3,210
	(10,480)	(6,567)	(61,834)
FINANCING ACTIVITIES			
Advances from related parties	18,497	6,500	27,781
Deferred share issuance costs	(9,779)	-	-
Issuance of shares	-	29,000	255,001
	8,718	35,500	282,782
INVESTING ACTIVITIES			
Deferred exploration costs, net of Provincial tax credit receivable	(7,950)	-	(89,443)
Acquisition of mineral properties	-	-	(55,928)
	(7,950)	-	(145,371)
INCREASE (DECREASE) IN CASH	(9,712)	-	75,577
CASH, BEGINNING OF PERIOD	14,089	-	-
CASH, END OF PERIOD	$ 4,377	$ 28,933	$ 75,577
REPRESENTED BY:			
Cash	$ 4,377	$ 28,933	$ 68,077
Funds in trust	-	-	7,500
	$ 4,377	$ 28,933	$ 75,577

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

1. NATURE OF OPERATIONS

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production. There is no assurance that the Company will be successful in recovering the amounts shown for mineral properties and related exploration costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral properties, deferred exploration costs and Provincial tax credit. Actual results could differ from those reported.

b) Mineral Properties and Exploration Costs

The Company records its interests in mineral properties at cost. All direct costs relating to the acquisition of these interests are capitalized until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the unit of production basis over the proven reserves of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied first against the book value of the property, and any excess will be set off against deferred exploration costs.

Exploration costs relating to mineral properties are deferred until the properties are brought into production, at which time the deferred exploration costs are to be amortized on a unit of production basis, or until the properties are abandoned or sold, at which time the deferred costs are written off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

b) Mineral Properties and Exploration Costs – continued

The mineral properties and exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When there is evidence of impairment, the net carrying amount of the asset will be written down to its net recoverable amount which is the estimated undiscounted future net cash flows expected to result from the asset and its eventual disposition. The loss on impairment written off is not reversed even if circumstances change and the net recoverable amount subsequently increases.

The amounts shown as mineral property and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

c) General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

d) Fair Market Value of Financial Instruments

The carrying values of cash, GST receivable, accounts payable and accrued liabilities, and prepaid expenses approximate their fair market value because of the short maturity of these instruments. Unless otherwise noted, it is managements opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

e) Loss Per Share

The loss per share is not presented as this information is not considered meaningful at the Company's current stage of operations.

f) Stock-based Compensation

Effective January 1, 2004 the new Canadian standards with respect to stock-based compensation require the use of the fair value method to account for all stock options granted whether they be to employees, directors or non-employees.

Beginning January 1, 2004 the Company adopted, on a prospective basis, the fair value based method of accounting for stock-based compensation for the granting of all stock options and direct awards of stock.

Under the fair value method, a compensation cost is measured at fair value for stock options granted at the grant date and expensed when they have been vested, with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration paid together with the amount of previously recognized to contributed surplus is recorded as an increase to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

g) Future Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. These future taxes are measured by the provisions of currently enacted tax laws. Management believes that it is not sufficiently likely that the Company will generate sufficient taxable income to allow the realization of future income assets and therefore the Company has fully provided against these assets.

h) Deferred Share Issuance Costs

Costs incurred relating to the Company's planned initial public offering have been recorded as deferred share issuance costs. On completion of the offering those costs will be offset against share capital.

3. PROVINCIAL TAX CREDIT

The Company is qualified for the B.C. Mining Exploration Tax Credit ("BCMETC"). The BCMETC is a B.C. income tax credit which is equal to 20% of qualified mining exploration costs incurred by the Company, and is refundable to the extent it exceeds the Company's income tax payable.

4. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS

	Feb. 28, 2005	Aug. 31, 2004
Acquisition Costs:		
Seneca Property	$ 55,928	$ 55,928
Deferred Exploration Costs:		
Seneca Property	$ 108,140	$ 89,443

Seneca Property

Pursuant to an option agreement dated June 21, 2004, the Company was granted an option to acquire an undivided 100% interest in 6 mineral claims situated in the New Westminster Mining Division, B.C. As consideration for the property, the Company paid $20,000. The claims are subject to net Smelter Return Royalty of 1%. Under the terms of the agreement the Company has also the option to purchase the net Smelter Returns Royalty of 1% for $250,000 at any time before the property is put into commercial production.

During the period ended August 31, 2004 the Company staked 12 additional mineral claims at the cost of $35,928.

5. SHARE CAPITAL

a) Authorized

100,000,000 common shares without par value.

b) Issued and fully paid

	Number of Shares	Amount
Subscriber's share	1	$ 1
Issued for cash pursuant to subscription agreements - @ $0.01	3,000,000	30,000
@ $0.075	3,000,000	225,000
Balance, August 31, 2004 and February 28, 2005	6,000,001	$ 255,001

See Note 9

c) Stock Options

Pursuant to stock option agreements dated October 18, 2004 stock options were granted to the directors and officers of the Company to acquire 800,000 shares at $0.30 per share expiring two years from the effective date of the prospectus.

No stock-based compensation charge is recorded as these stock options have not vested during the periods under review.

d) Escrowed Shares

As at February 28, 2005 3,975,001 (August 31, 2004 – 3,975,001) common shares of the Company are subject to escrow agreements and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory body having jurisdiction thereon. The escrow of shares of the Company may be released as to 10% following receipt of the first notice from TSX Venture Exchange ("TSX") as to completion of the listing and as to 15% every six months after the initial release so that all escrowed shares will have been released three years after the completion of the listing.

6. RELATED PARTY TRANSACTIONS

a) During the three month period ended February 28, 2005, the Company paid $7,500 (February 29, 2004 - $5,000 and August 31, 2004 - $20,000) for management fees and $2,250 (February 29, 2004 - $1,500, and August 31, 2004 - $6,000) for administration expenses to a company controlled by a director.

6. RELATED PARTY TRANSACTIONS - continued

b) The exploration expenses of Nil (February 29, 2004 – Nil, and August 31, 2004 - $111,451) and staking expenses of Nil (February 29, 2004 – Nil, and August 31, 2004 - $35,928) incurred by the Company during the three month period ended February 28, 2005 are charged from a company controlled by a director either as expenses paid or as a reimbursement of expenditure incurred on behalf of the Company. Included under exploration expenses was Nil (February 29, 2004 – Nil, and August 31, 2004 - $9,500) for geological consulting fee paid to the director.

c) The amounts due to related parties are non-interest bearing and unsecured, with no fixed terms of repayment. See Note 9.

d) During the three month period ended February 28, 2005 $16,677 (February 29, 2004 – Nil, and August 31, 2004 - $1,104) was paid to a firm controlled by an officer of the Company for legal fees and disbursements which were included under deferred share issue costs.

7. COMPARATIVE FIGURES

The figures in respect of the period from the date of incorporation in October 16, 2003 to August 16, 2004 were presented for comparative purposes.

8. PROSPECTUS

The Company is in the process of filing a prospectus with the regulatory authorities of British Columbia, constituting an offering to the public of 2,000,000 common shares at $0.30 per share. The agent will receive a commission of 10% of the gross proceeds of the offering or $.03 per share. The Company will also issue a warrant to the agent entitling it to acquire 100,000 shares at $0.30 per share at any time on or before the first anniversary of the date on which the shares are listed on the TSX Venture Exchange. The agent will also receive a corporate finance fee in the amount of $5,000 cash and 40,000 common shares and be reimbursed its reasonable expenses.

See Note 9.

9. SUBSEQUENT EVENTS

a) Subsequent to February 28, 2005, 2,000,000 common shares were issued pursuant to the prospectus to net the Company $537,700, after deducting $62,300 for agent's commission, administration and legal fees, and other expenses.

The Company also issued 40,000 common shares as corporate finance fee to the agent. In addition, the warrant for 100,000 shares at $0.30 per share was exercised by the agent to net the Company $30,000.

9. SUBSEQUENT EVENTS - continued

b) The advances from related parties were fully repaid subsequent to February 28, 2005.