SmytheRatcliffe
CHARTERED ACCOUNTANTS

BRETT RESOURCES INC.

Consolidated Financial Statements
August 31, 2004 and 2003

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF BRETT RESOURCES INC.

We have audited the consolidated balance sheets of Brett Resources Inc. as at August 31, 2004 and 2003 and the consolidated statements of operations 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 August 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe"

Chartered Accountants

Vancouver, British Columbia
December 15, 2004

BRETT RESOURCES INC.
Consolidated Balance Sheets
As at August 31

	2004	2003
Assets		
Current		
Cash and cash equivalents	$ 588,415	$ 339,982
Accounts receivable	16,515	548
Prepaid expenses and deposits	1,000	1,000
	605,930	341,530
Investment in Mineral Properties (notes 5 and 6)	412,250	1,117,647
Office Equipment, net	4,536	0
	$ 1,022,716	$ 1,459,177
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 55,652	$ 76,192
Capital Stock, Contributed Surplus and Deficit		
Capital Stock (note 7)	10,624,910	9,556,434
Share Subscription Receivable (notes 7 and 8(d))	(21,000)	0
Contributed Surplus	91,550	16,910
Deficit	(9,728,396)	(8,190,359)
	967,064	1,382,985
	$ 1,022,716	$ 1,459,177

Approved on behalf of the Board:

"Lawrence Nagy"
.... Director
Lawrence Nagy

"Carl Hering"
.... Director
Carl Hering

See notes to consolidated financial statements.

BRETT RESOURCES INC.
Consolidated Statements of Operations and Deficit
Years Ended August 31

	2004	2003
Interest Income	$ 7,934	$ 2,065
Administrative Expenses		
Property evaluations	282,260	0
Professional fees	95,776	51,680
Stocked-based compensation	74,640	16,910
Management fees	30,000	30,000
Promotion and shareholder information	24,291	21,080
Listing and transfer agent fees	14,660	19,350
Rent and administration	12,000	12,000
Office and miscellaneous	1,450	4,993
Depreciation	800	0
	535,877	156,013
Loss for Year Before Other Item	527,943	153,948
Mineral Properties Written Off	1,010,094	19,086
Net Loss for Year	1,538,037	173,034
Deficit, Beginning of Year	8,190,359	8,017,325
Deficit, End of Year	$ 9,728,396	$ 8,190,359
Loss Per Share	$ 0.09	$ 0.01
Weighted Average Number of Shares	17,422,225	13,208,334

See notes to consolidated financial statements.

BRETT RESOURCES INC.
Consolidated Statements of Cash Flows
Years Ended August 31

	2004	2003
Operating Activities		
Net loss	$ (1,538,037)	$ (173,034)
Items not involving cash		
Mineral properties written off	1,010,094	19,086
Stock-based compensation	74,640	16,910
Depreciation	800	0
Changes in non-cash working capital		
Accounts receivable	(15,967)	39,395
Prepaid expenses and deposits	0	1,000
Accounts payable and accrued liabilities	(20,540)	39,254
Cash Used in Operating Activities	(489,010)	(57,389)
Financing Activities		
Issuance of common shares	995,350	500,000
Shares issuance costs	(22,874)	0
Cash Provided by Financing Activities	972,476	500,000
Investing Activities		
Expenditures on mineral properties, net	(229,697)	(163,178)
Office equipment	(5,336)	0
Cash Used in Investing Activities	(235,033)	(163,178)
Inflow of Cash	248,433	279,433
Cash and Cash Equivalents, Beginning of Year	339,982	60,549
Cash and Cash Equivalents, End of Year	$ 588,415	$ 339,982
Non-Cash Items		
Issuance of shares for debt	$ 0	$ 51,550
Issuance of shares for property	$ 75,000	$ 4,500
Issuance of shares for commission	$ 11,250	$ 0
Supplemental Cash Information		
Interest paid	$ 0	$ 0
Income taxes paid	$ 0	$ 0

See notes to consolidated financial statements.

1. INCORPORATION AND NATURE OF OPERATIONS

The Company was incorporated under the Company Act of British Columbia on September 11, 1986. The Company's principal business activity is the exploration for and development of natural resource properties.

2. GOING CONCERN

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a going concern basis. This presumes funds will be available to finance on-going development, operations and capital expenditures and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The Company has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar companies and has an accumulated deficit of $9,728,396 (2003 - $8,190,359). These factors raise substantial doubt about the Company's ability to continue as a going concern which is dependent on its ability to obtain and maintain an appropriate level of financing on a timely basis and to achieve sufficient cash flows to cover obligations and expenses. Management is continuously working to obtain financing. The outcome of these matters cannot be predicted. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries Gridiron Exploration Ltd. (Alberta) ("Gridiron"), Compania Minera Magallanes S.A. (Peru) and Exploracion Lucero S.A. de C.V. (El Salvador). All significant inter-company balances and transactions are eliminated.

(b) Deferred expenditures

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties, net of all incidental revenues received. At such time as commercial production commences, these costs are charged to operations on a unit-of-production method based on estimated recoverable reserves. When there is little prospect of further work on a property being carried out by the Company, the costs of that property are charged to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date;

(ii) Non-monetary assets and liabilities at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding amortization which is at the same rate as the related asset) at the average rate of exchange for the year.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

(d) Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented as the effects are anti-dilutive.

(e) 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(f) Stock-based compensation

Effective September 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for Stock-based Compensation and Other Stock-based Payments. Under the amended recommendation, the Company accounts for stock options granted to directors, employees and consultants using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model charged to earnings over the vesting period with a corresponding increase in contributed surplus. Upon exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The Company previously disclosed the pro-forma effects of accounting for stock options granted to directors and employees in the notes to financial statements as if the fair value based method has been used. The amended recommendations have been applied prospectively; accordingly, results from prior years have not been restated.

4. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short maturity of these financial instruments.

(b) Interest rate risk

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

(c) Translation risk

The Company is exposed to translation risk to the extent expenditures incurred by the Company are not denominated in Canadian dollars.

5. REALIZATION OF ASSETS

The Company's investment in mineral properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these properties is dependent on establishing legal ownership of the properties, and on the attainment of successful commercial production or from the proceeds of disposal.

6. INVESTMENT IN MINERAL PROPERTIES

	El Salvador	Peru	Argentina	Honduras	Other	Total
Balance, August 31, 2002	$ 933,157	$ 0	$ 0	$ 0	$ 35,898	$ 969,055
Additions	29,261	0	130,040	0	42,959	202,260
Option payments	(34,582)	0	0	0	0	(34,582)
Write-downs	0	0	0	0	(19,086)	(19,086)
Balance, August 31, 2003	927,836	0	130,040	0	59,771	1,117,647
Additions	0	0	77,448	119,160	0	196,608
Option payments	0	0	15,000	93,089	0	108,089
Write-downs	(727,836)	0	(222,488)	0	(59,770)	(1,010,094)
Balance, August 31, 2004	$ 200,000	$ 0	$ 0	$ 212,249	$ 1	$ 412,250

6. INVESTMENT IN MINERAL PROPERTIES (Continued)

(a) El Salvador

Gaspar (formerly called Eastern Block): The Company held 100% of two exploration licenses on this gold project located in eastern El Salvador. During the year ended August 31, 2002, the Company entered into a joint venture on the project with Pacific Rim Mining Corp. ("Pacific Rim"). Pacific Rim can earn a 60% interest in the property by making staged exploration expenditures totalling US $1,500,000 over five years as follows:

Year 1	$	100,000
Year 2		150,000
Year 3		150,000
Year 4		300,000
Year 5		800,000
	$	1,500,000

During the year ended August 31, 2003, the existing two licences were terminated and two new licenses (totalling 82 square kilometres) were granted to the joint venture operator under the new mining law of El Salvador. Pacific Rim did not meet their obligations to vest in the joint venture, and accordingly, the licences are being returned to the Company.

In 2004 management wrote down its costs at Gaspar to $100,000.

El Potosi: The Company holds 100% of the rights to the 48 square kilometre El Potosi area, located 90 kilometres east of the capital city of San Salvador. El Potosi is a high grade vein district with past gold production.

During the year ended August 31, 2002, the Company entered into an agreement with Tournigan Ventures Corporation ("Tournigan") whereby Tournigan has an option to acquire a 100% interest in the El Potosi concession by making payments as follows:

(i) US $25,000 within 30 days of signing the agreement (received);
(ii) US $25,000 on the first anniversary (received);
(iii) US $50,000 on the second anniversary (received subsequent to the year end);
(iv) US $100,000 on the third anniversary; and
(v) US $1,250,000 on the fourth anniversary.

Tournigan can delay payment of the final US $1,250,000 payment until the fifth anniversary of the agreement by paying the Company US $150,000 on the fourth anniversary date. The Company will retain a 1% net smelter royalty on production of gold and silver in excess of 200,000 ounces.

6. INVESTMENT IN MINERAL PROPERTIES (Continued)

(a) El Salvador (Continued)

In 2004, management wrote down its costs at El Potosi to $100,000.

Pedernal: In June 2001, the Company was granted an exploration license covering 50 square kilometres for the Horcones-Cerro Pedernal area, located in western El Salvador. The license covers a large area of silicification and, in addition, covers a potential limestone resource.

During the year ended August 31, 2002, the Company entered into an agreement with Tournigan whereby Tournigan has an option to acquire a 60% interest in the Pedernal project by expending a minimum of US $500,000 on the project over a four year period as follows:

Year 1 (committed expenditure by Tournigan)	$ 35,000
Year 2	90,000
Year 3	125,000
Year 4	250,000
	$ 500,000

Once Tournigan has earned its 60% interest, a joint venture will be formed whereby Tournigan is the operator and all further expenditures will be pro-rated between Tournigan and the Company.

During the year ended August 31, 2004, Tournigan returned the property to the Company. The Company dropped its interest in the property and wrote off its costs.

(b) Peru

Pachagon: The Company holds the central concession on this copper property near Trujillo. In May 2001, an option agreement was finalized with Minera Anaconda Peru, a subsidiary of Antofagasta Plc., a growing copper producer in Chile. The Company received an up-front payment of US $17,500 (Cdn $26,250) from Anaconda, who could earn a 51% interest in the Company's ground by completing US $600,000 of work and by making further payments totalling US $85,000 over the initial 24 months.

During the year ended August 31, 2003, Minera Anaconda Peru dropped its option.

During the year ended August 31, 2004, the Company chose not to renew its interest in the property.

6. INVESTMENT IN MINERAL PROPERTIES (Continued)

(c) Argentina

The Company holds an option to acquire a 100% interest in the La Frontera Property in Argentina by paying to Mansfield US $550,000, incurring cumulative expenditures of US $1,500,000 on the property and issuing 600,000 common shares to Mansfield as follows:

	Cash	Number of Shares	Cumulative Expenditures
On execution of agreement (done)	$ 0	50,000	$ 0
6 months (done)	25,000	0	0
Year 1 (done subsequent to year-end)	0	50,000	50,000
Year 2	50,000	50,000	200,000
Year 3	75,000	50,000	500,000
Year 4	150,000	0	1,000,000
Year 5	250,000	0	500,000
	$ 550,000	200,000	$ 2,250,000

Subsequent to the year ended August 31, 2004, the Company relinquished its option and returned the property to Mansfield. The costs to August 31, 2004 of $222,488 have been written off as of August 31, 2004.

(d) Honduras

During the year ended August 31, 2004, the Company signed a letter of intent with Tierra Colorada giving the Company the option to acquire an interest in seven different exploration projects in Honduras.

	Cash	Number of Shares	Cumulative Expenditures
On execution of agreement (done)	$ 25,000	100,000	
6 months (done, other than payment of $25,000 delayed)	$ 25,000	100,000	$ 50,000
For each project area selected			
January 1, 2005 (subsequently delayed)	$ 10,000	50,000	
January 1, 2006	$ 10,000	50,000	
January 1, 2007	$ 20,000	100,000	
January 1, 2008	$ 20,000	100,000	
January 1, 2009	$ 50,000	200,000	

6. INVESTMENT IN MINERAL PROPERTIES (Continued)

(d) Honduras (Continued)

If the Company completes the scheduled payments for each project area and issues the 500,000 shares, it will have earned 100% in the selected project areas, subject to a 2% net smelter royalty. The Company would be required to make annual advance minimum royalty payments of US $50,000 beginning on January 1, 2010 and increasing to US $100,000 on January 1, 2015. The Company would have the right to buy down the above royalty to 1% by making a US $2,000,000 payment on or before January 1, 2010.

(e) Nicaragua

Sabalos: The Company is soliciting rights for the 170 square kilometre Cerro Ventura II concession area, located near the border with Costa Rica. The application area covers the historic Sabalos mining district, which lies on trend from the Cerro Crucitas discovery in Costa Rica. To date, no license has been granted and the concession has been written down to a nominal value.

Waulasa: The Company has also applied for an exploration concession covering 327 square kilometres in northeastern Nicaragua. This application area, Waulasa, covers several historic gold producing areas with both high grade vein potential and disseminated mineralization. The concession was eventually denied and the Company has written off its interest.

(f) Canada

Red Property: In April 2001, the Company acquired the rights via option agreement to the Red Project (20 units) located in north-central B.C. To acquire a 100% interest, subject to a 2.5% net smelter return; the Company was initially required to make total payments of $150,000, issue 200,000 shares, and complete $1,800,000 million in exploration work over a six-year period.

During the year ended August 31, 2002, the initial agreement was amended to include an option to acquire the NOR Claim (20 units). The NOR claim lies approximately 2.5 kilometres northwest of the operating Kemess copper and gold mine, and geochemical and geophysical anomalies on the property have never been drill tested. To acquire a 100% interest in either or both of these properties, at its option, subject to a 2.5% net smelter return, the Company would make total payments of $255,000, issue 150,000 common shares and expend a cumulative total of $1,775,000 on exploration of the properties over a six-year period. The Company optioned 60% of its interest to Solomon Resources Limited ("Solomon"), a company related via common directors, and received an initial option payment of $25,000. Subsequent to the year ended August 31, 2002, the Company and Solomon decided to abandon their interests in the projects and accordingly the Company has written-off its costs.

Seagull Creek Property: The Company holds the Bro claims, consisting of 26 contiguous claims, located at Watson Lake in the Yukon. This base metal property is currently idle.

In the year ended August 31, 2004, the Company relinquished 100% of its interest in the remaining four claims.

7. CAPITAL STOCK

(a) Authorized
100,000,000 Common shares without par value

(b) Issued and outstanding

	2004		2003	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	14,970,976	$ 9,556,434	12,163,226	$ 9,000,384
Private placement	3,382,499	1,014,750	2,500,000	500,000
Shares for debt	0	0	257,750	51,550
Exercise of warrants	25,000	6,250	0	0
Exercise of options	33,000	6,600	0	0
On acquisition of mineral properties	250,000	75,000	50,000	4,500
Share subscription receivable	0	(21,000)	0	0
Share issue costs	0	(34,124)	0	0
Balance, end of year	18,661,475	$ 10,603,910	14,970,976	$ 9,556,434

(c) Shares issued

During the year ended August 31, 2004, the Company

(i) completed a private placement of 3,344,999 units at a price of $0.30 per unit. Each unit consists of a share and one non-transferable share purchase warrant. Each warrant is convertible into one share at a price of $0.40 per share to January 13, 2005. In conjunction with this private placement, the Company issued 37,500 units to the brokers on the same terms as the private placement and granted an additional 75,000 agent's options warrants on the same terms as the warrants on the private placement; and

(ii) issued 50,000 shares as an option payment on the La Frontera property and 200,000 shares as option payments on the Honduran properties.

7. **CAPITAL STOCK** (Continued)

(c) Shares issued (Continued)

During the year ended August 31, 2003, the Company

(i) consolidated its stock on a 3:1 basis (all share numbers in these financial statements have been adjusted retroactively to reflect this consolidation);

(ii) completed a private placement of 2,500,000 units at a price of $0.20 per unit. Each unit consists of one share and one non-transferable share purchase warrant. Each warrant is convertible into one share at a price of $0.25 to April 22, 2004 or $0.30 to April 22, 2005;

(iii) issued 257,750 shares at a deemed price of $0.20 per share to settle $51,550 of debt; and

(iv) issued 50,000 shares as an option payment on the La Frontera property.

(d) Share options

At August 31, the Company's outstanding stock purchase options are as follows:

	2004		2003	
Expiry Date	Option Price	Number of Shares	Option Price	Number of Shares
June 11, 2007	$ 0.30	608,332	$ 0.30	699,998
June 16, 2008	$ 0.20	350,168	$ 0.20	500,002
August 3, 2009	$ 0.30	466,500	$ 0.30	0

7. **CAPITAL STOCK** (Continued)

(d) Stock options (Continued)

Stock option activity is summarized as follows:

Expiry Date	Number of Shares	Exercise Price Per Share	Weighted Average Exercise Price
Balance, August 31, 2002	1,173,331	$ 0.30 to $ 0.45	$ 0.36
Cancelled during the year	(406,666)	$ 0.45	$ 0.45
Expired during the year	(66,667)	$ 0.45	$ 0.45
Granted during the year	500,002	$ 0.20	$ 0.20
Balance, August 31, 2003	1,200,000	$ 0.20 to $ 0.30	$ 0.26
Exercised during the year	(33,000)	$ 0.20	$ 0.20
Expired during the year	(208,500)	$ 0.20 to $0.30	$ 0.24
Granted during the year	466,500	$ 0.30	$ 0.30
Balance, August 31, 2004	1,425,000	$ 0.20 to $ 0.30	$ 0.28

During the year ended August 31, 2004, the Company granted options for a total of 466,500 shares to directors, officers, employees and consultants. The options are exercisable at a price of $0.30 per share and can be exercised for a period of up to five years.

During the year ended August 31, 2003, the Company granted options for a total of 500,002 shares to directors, officers, employees and consultants. The options are exercisable at a price of $0.20 per share and can be exercised for a period of up to five years.

In the year ended August 31, 2004, the Company applies the fair value method using the Black-Scholes option pricing model in accounting for the granting of all options. In the year ended August 31, 2004, 466,500 options were granted which resulted in an expense totalling $74,640.

7. **CAPITAL STOCK** (Continued)

(d) Stock options (Continued)

Stock option activity is summarized as follows:

The fair value of each option is calculated using the following weighted average assumption:

Expected life (years)	5.0
Interest rate	4.03%
Volatility	144%
Dividend yield	0.00%

In the year ended August 31, 2003, the Company applied the settlement method in accounting for its stock options granted to directors and employees, and accordingly, no compensation expense was recorded in these financial statements for those options granted. Had compensation expense been determined as provided in the fair value method using the Black-Scholes options pricing model, the pro-forma effect on the Company's net loss and per share amounts for the year ended August 31, 2003 would have been as follows:

Net loss, as reported	$	(173,034)
Net loss, pro-forma	$	(240,674)
Loss per share, as reported		$ (0.01)
Loss per share, pro-forma		$ (0.02)

In the year ended August 31, 2003, the Company applied the fair value method using the Black-Scholes option pricing model in accounting for options granted to non-employees. During the year ended August 31, 2003, 100,000 options were granted to non-employees, which resulted in an expense totalling $16,910. The fair value of each option was calculated using the following weighted average assumption:

Expected life (years)	5.0
Interest rate	2.75%
Volatility	167%
Dividend yield	0.00%

7. CAPITAL STOCK (Continued)

(e) Share purchase warrants

Expiry Date	Exercise Price	**2004**	**2003**
April 22, 2004 and April 22, 2005	$ 0.25/$ 0.30	2,475,000	2,500,000
February 2, 2005	$ 0.40	3,457,499	0

8. RELATED PARTY TRANSACTIONS

During the year, the Company engaged in the following transactions provided by related parties:

(a)
- geological and management and geological services of $86,023 (2003 - $56,950) were performed by a director and officer (expensed on income statement as management fees and professional fees).
- geological services of $94,539 (2003 - $0) were performed by a director and officers (expensed on income statement as property evaluation costs).
- geological services of $2,500 (2003 - $0) were performed by a director (expensed on income statement as professional fees).

(b) Accounting and administration services of $14,700 (2003 - $12,000) were provided by a company with a common officer (expensed on income statement as professional fees).

(c) Rent and administration services of $12,000 (2003 - $12,000) were provided by a company with a common officer.

(d) In 2003, accounts payable of $30,000 for management services of a director and officer was settled by issuance of 150,000 shares.

At August 31, 2004, accounts payable and accrued liabilities included $19,422 (2003 - $70,314) owed to directors and officers of the Company.

At August 31, 2004, share subscription receivable included $21,000 (2003 - $0) due from a director for a portion of his participation in the 2004 private placement.

9. FUTURE INCOME TAX

	2004	2003
Future income tax assets		
Non-capital loss carry-forwards	$ 590,474	$ 619,600
Depreciation	724	500
Exploration expenditures	1,411,293	1,702,500
	2,002,491	2,322,600
Less: Valuation allowance	(2,002,491)	(2,322,600)
	$ 0	$ 0

The Company's losses for tax purposes are approximately $1,411,000 (2003 - $1,549,000), based upon a corporate tax rate of 38% (2003 - 38%) and may be carried forward to apply against future income for Canadian tax purposes, expiry begins in 2005.

The future benefit of these loss carry-forwards and the resource deductions have not been recorded in these consolidated financial statements as the Company estimates that these losses will not likely be realized.

Available to	Amount
2005	$ 138,000
2006	419,000
2007	216,000
2008	128,000
2009	145,000
2010	137,000
2014	228,000
	$ 1,411,000

Introduction

The following management discussion and analysis has been prepared as of January 5, 2005. It should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2004. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all numbers are reported in Canadian dollars.

This discussion contains forward-looking statements that involve inherent risks and uncertainties. The reader is cautioned that actual results may differ materially from those anticipated in the forward-looking statements.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Background

Brett Resources Inc. is a junior mineral exploration company. Its assets consist of mineral properties and cash. The Company funds its operations through the sale of shares of the Company. The mineral exploration business is very high-risk. The two most significant risks for the Company are:

1) The chances of finding an economic ore body are extremely small.
2) The junior resource market, where the company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as it requires them.

Other risk factors include political risks in the countries where Brett is working, the establishment of undisputed title to mineral properties, environmental concerns and the obtaining of governmental permits and licenses when required.

Overall performance

Success in the junior mining exploration business is measured by a company's ability to raise funds, secure properties of merit and, in a few rare cases, identifying an economic ore body on one of its properties. Not all of these factors are within management's control.

The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, metal prices and perceptions as to which way the market is headed. The junior resource market started to improve in 2002 after several years in the doldrums.

The ability to secure properties of merit is in large part dependent on management's contacts. However, while the resource market was in decline, little new exploration was going on and few new properties of merit were identified, so there is still a shortage of supply.

EXPLORATION OVERVIEW

GENERAL

Brett Resources Inc. is in the mineral exploration business. To date, the Company's strategy has been to identify and acquire precious metal properties by conducting early stage exploration programs. These properties are subsequently advanced by the Company and brought to a stage where they may be joint ventured or sold, ideally at the optimum time. The Company's main properties are located in Central and South America. Brett and its wholly owned subsidiary, Gridiron Exploration Ltd., conduct their activities through local subsidiary companies.

PROJECTS – Central America

(a) El Salvador

Santa Clara/Gaspar: The Company held 100% of two exploration licenses on this gold project located in Eastern El Salvador. On August 1, 2002, the Company entered into a joint venture on the project with Pacific Rim Mining Corp. ("Pacific Rim). Under the JV with Pacific Rim, the existing two licenses were terminated, and two new licenses (totalling 82 square kilometres) were granted to the joint venture operator under the new mining laws of El Salvador. Pacific Rim did not meet their obligations to vest in the joint venture and terminated their option on the project. Accordingly, the Company is currently in the process of acquiring a new exploration licence covering the remaining prospective ground.

Santa Clara is a high-grade gold vein occurrence that projects over 2 km along strike towards Gaspar, a high level zone of silicified volcanic rocks. Surface sampling of the Santa Clara vein returned 24.7 g/t Au over 2.3 m true width. In 1998, Brett drilled five core holes on the vein, with the best results returning 3.55 m (2.5 m true width) of 11.8 g/t Au and 94 g/t Ag, including 0.95 m of 26.5 g/t Au and 147 g/t Ag. No further drilling has been conducted, and no new work was carried out during 2004. The Company is presently soliciting new joint venture interest in the Project, and several companies are currently reviewing the opportunity.

El Potosi: The Company holds 100% of the rights to the 48 square kilometre El Potosi area, located 90 km east of the capital city of San Salvador. El Potosi is a high grade vein district with past gold production of approximately 60,000 ounces at a reported grade of 15 to 20 g/t Au.

On August 24, 2002, the Company entered into a purchase option agreement with Tournigan Gold Corporation ("Tournigan") whereby Tournigan was granted an option to acquire a 100% interest in the El Potosi license. In February 2004, Tournigan assigned their rights to El Potosi (with Brett's agreement) to Condor Securities Ltd., a private Australian company. To acquire the license the following payment schedule must be met:

(i) US $25,000 within 30 days of August 24, 2002 *(received)*;
(ii) US $25,000 on the first anniversary *(received)*;
(iii) US $50,000 on the second anniversary *(received)*;
(iv) US $100,000 on the third anniversary and;
(v) US $1,250,000 on the fourth anniversary.

The final payment of US $1,250,000 can be delayed until the fifth anniversary of the agreement by paying the Company US $150,000 on the fourth anniversary date. The Company will retain a 1% net smelter royalty on production of gold and silver in excess of 200,000 ounces.

Condor's 2004 exploration program continued the program initiated in 2003 and consisted of additional line-cutting, geologic mapping, trenching and sampling. Over 200 rock and trench samples have been submitted for analysis thus far. The analytical results (Inspectorate Lab, Reno, Nevada) reveal strong gold mineralization (14% of samples assayed >5g/t Au). The maximum value of all samples assayed was 46.4 g/t Au. Condor submitted an annual exploration report to the Ministry of Mines in El Salvador in December 2004, and we are currently awaiting review of this new information.

Condor has informed the Company that they plan a drilling program for the Spring of 2005.

Pedernal: The Company was granted an exploration license covering 50 square kilometres for the Horcones-Cerro Pedernal area, located in western El Salvador. The license covers a large area of silification and in addition, covers a potential limestone resource.

On August 24, 2002, the Company entered into an agreement with Tournigan whereby Tournigan was granted an option to acquire a 60% interest in the Pedernal project by expending a minimum of US $500,000 on the project over a four year period.

In 2003, Tournigan conducted extensive mapping and geochemical sampling (371 samples) on the project. Reconnaissance geologic and geochemical work identified a sequence of silica-flooded sandstone and felsic volcanic rock containing elevated trace element values, however no areas of significant gold or silver values were located.

In February 2004, Tournigan assigned their rights in the joint venture to Condor Securities Ltd., a private Australian company. After evaluating the existing data, a determination was made to not conduct further exploration. In July 2004, the license was cancelled, although Condor is pursuing a new license application.

(b) Honduras

The Company signed a letter of intent with Tierra Colorada on October 20, 2003, giving the Company the option to acquire an interest in seven different exploration projects in Honduras.

The agreement with Tierra Colorada calls for a US $25,000 payment and the issuance of 100,000 shares of the Company upon Exchange approval *(done)*. The company is further committed to US $50,000 of exploration work over the following six months *(done)*, with an additional US $25,000 payment *(delayed)* and 100,000 shares *(done)* due on the 6 month anniversary following approval, May 1, 2004. On or before January 1, 2005, *(delayed)* the Company will select specific project areas to pursue and make a US $10,000 payment for each such project area. Over the following four years the Company will at its option, make additional payments of US $100,000 for each project area it wishes to retain. On January 1, 2005, *(delayed)* and over the following four year period, the Company will also issue a total of 500,000 shares as long as the Company maintains its right to earn an interest in one or more project areas.

If the Company completes the scheduled payments for each project area and issues the 500,000 shares, it will have earned 100% in the selected project areas, subject to a 2% net smelter royalty. The Company would be required to make annual advance minimum royalty payments of US $50,000 beginning on January 1, 2010 and increasing to US $100,000 on January 15, 2015. The Company would have the right to buy down the above royalty to 1% by making a US $2,000,000 payment on or before January 1, 2010.

Currently, only about one half of the important concession applications have been approved because the concession approval process in Honduras is on hold. No work is planned pending resolution of the concession process and finalization to new changes in the mining law. The underlying agreement on the projects is currently subject to a force majeure, suspending obligations as indicated above. The project situation in Honduras will be reviewed in early 2005.

(c) Nicaragua

Sabalos: The Company is soliciting rights for the 170 square kilometre Cerro Ventura II concession area, located near the border with Costa Rica. The application area covers the historic Sabalos mining district which lies on trend from the Cerro Crucitas discovery in

Costa Rica. The Company plans to conduct further exploration work on the concession pending approval of the license, however approval has not been forthcoming and no time frame for decision has been set.

Waulasa: In 2002, the Company also applied for a concession covering 327 square kilometres in north-eastern Nicaragua. The Waulasa area covers several historic gold producing areas with both high grade vein potential and disseminated mineralization. No exploration work was conducted by the Company other than reviewing available historic data. Subsequent to the year end August 31, 2004, the Company was informed that their concession application was denied.

PROJECTS – South America

(d) Argentina

La Frontera: The Company entered into an option agreement to acquire a 100% interest in the La Frontera Property in Argentina from Mansfield Minerals, Inc. ("Mansfield") on November 6, 2002. Over a five year period the Company would be required to pay Mansfield US $550,000, incur cumulative property expenditures of US $1,500,000 and issue 200,000 common shares as follows:

		Cash (US)	Shares	Expenditures (US)
On Execution	*(done)*	$0	50,000	$0
6 month anniversary	*(done)*	25,000	0	0
Year 1 anniversary	*(done)*	0	50,000	50,000
Year 2 anniversary	*(terminated)*	50,000	50,000	150,000
Year 3 anniversary		75,000	50,000	300,000
Year 4 anniversary		150,000	0	500,000
Year 5 anniversary		250,000	0	500,000

In 2003, the Company completed detailed geologic mapping, rock chip sampling and a ground geophysical survey. Rock outcrops containing significant silver and gold mineralization occur as small windows in the predominantly scree/talus covered, central portion of the property. Silver values range from low values up to 5,640 g/t Ag (165 opt), with gold grades typically less than a gram to a maximum value of 8.32 g/t Au. All surface rock samples collected by Brett to date on the property average 261 g/t Ag.

In 2004, the Company covered much of the property with a "talus fines" sampling program, a geochemical technique similar to soil sampling. No significant anomalies were encountered, suggesting a lack of continuity between the small zones of high-grade silver mineralization previously identified. Given the remote location of the property, and the inability to secure drill access from Argentina or access permits from Chile, the Company was unable to justify further expenditure on a high risk, early stage target. Under the agreement with Mansfield, Brett was faced with accumulating payment and work obligations and could no longer justify the multiple risks associated with continued evaluation of the property. As a result, the agreement on the property was terminated in November 2004.

(e) Peru

Pachagon: The Company held the central concession on this copper property near Trujillo. In May 2001, a joint venture and option agreement was executed with Minera Anaconda Peru, a subsidiary of Antofagasta Plc., granting Anaconda the right to earn into the project. In 2002, Anaconda drill tested the project and subsequently terminated its earn-in option.

The Company maintained the concession until July 2004, when it was allowed to lapse, primarily based on the results of the previous program.

El Inca: The acquisition of the El Inca Project in Peru, announced in June 2004, was not finalized. The property was subjected to an extended due diligence period in which both legal and technical issues were addressed. Sampling by Company geologists did not confirm the continuity of values reported by previous workers. As a result of this work, it was believed that the target potential did not justify consummating the acquisition, and the agreement was terminated without the initial cash payment or share issuance, as allowed under the terms of the due diligence period.

DISCUSSION AND ANALYSIS

2004 was not a successful year for the Company due primarily to the bureaucratic issues faced in Argentina and Central America which prevented and limited all of the year's exploration plans. Consequently, the Company has chosen to re-focus its strategic emphasis and move forward based on new acquisition opportunities located in politically established and geologically favourable regions. The Company is currently evaluating several new project acquisitions in Nevada, Mexico, Peru and Chile. Historically, Brett has focused much of its exploration effort in Central America. This past year has been difficult as exploration plans in both Honduras and Nicaragua have been on hold awaiting necessary government approvals. Brett management believes that the continued uncertainty associated with the Central American focus can no longer be justified. Brett is confident that opportunities currently under evaluation will generate new projects shortly, and that these new projects will present greater upside for our shareholders.

Selected annual information

	2004	2003	2002
Total revenue	$7,934	$2,065	$549
Net income (loss)	($1,538,037)	($173,034)	($488,599)
Net income (loss) per share	($0.09)	($0.01)	($0.01)
Total assets	$1,022,716	$1,459,177	$1,071,547
Working capital	$550,278	$265,338	$14,004

Notes:

1) The total revenue consists of interest income.
2) There were no discontinued operations or extraordinary items in the years under review.
3) The basic and diluted income (loss) per share numbers were the same in each of the years under review.
4) The Company had no long-term financial liabilities for the years under review.
5) The Company has no history of declaring dividends.

The significance of these numbers is discussed under "results of operations" and "liquidity and capital resources".

Results of operations

	2004	2003
Net income (loss)	($1,538,037)	($173,034)
General and administrative costs	$461,237	$139,103
Stock option compensation	$51,315	$16,910
Write down property costs	$1,010,094	$19,086

In fiscal 2004, the Company had a loss of $1,538,037 as compared to a net loss of $173,034 for fiscal 2003. The following discussion explains the variations in the key components of these numbers, but as with most junior exploration companies the results of operations are not the main factor in establishing the financial health of the company. Of far greater significance are the properties the company has, its working capital and how many shares it has outstanding.

The Company's general and administrative expenses jumped substantially in 2004. The major reason for this was the $282,260 the Company spent evaluating potential new property acquisitions. These costs were mainly time and expenses paid to geologists, including $94,539 paid to Paul Dircksen the Company's former President. No new properties have been acquired as a result of this work. Professional fees of $95,776 include $56,023 paid to Carl Hering the Company's CEO and $14,700 paid to a company controlled by Robert Evans, Brett's CFO for accounting and administrative services. Other general and administrative costs for office rent and administration, ($13,450) listing and transfer agent fees ($14,660) and promotion and shareholder information ($24,299) are typical of cots incurred by a public, junior exploration company.

Stock option compensation expense is a non-cash item that attempts to put a dollar value on the benefit being given on the granting of stock options. It is based on statistical models, taking into account the volatility of the stock, the risk free rate and the weighted average life of the options. Where the market is highly volatile and not very liquid the results may not be very meaningful. In 2004 the Company issued 466,500 options resulting in a deemed value of $74,640. In 2003 the Company issued 100,000 options to non employees resulting in a deemed value of $16,910.

The Company writes off its mineral property costs and deferred exploration at such time as it either abandons the property or determines that there has been a permanent impairment in its value. The significant cost in 2004 was as a result of the Company writing off its La Frontera property in Argentina ($222,488) and writing down its El Salvador ($727,836) and Nicaragua ($59,769) interests. The reason for this are discussed under exploration review.

Summary of quarterly results

Fiscal 2004	First quarter	Second quarter	Third quarter	Forth quarter
Total revenues	$715	$1,059	$3,434	$2,726
Net income (loss)	($50,287)	($94,900)	($136,332)	($1,256,518)
Net income (loss) per share	($0.00)	($0.00)	($0.01)	($0.07)

Fiscal 2003	First quarter	Second quarter	Third quarter	Forth quarter
Total revenues	$111	$82	$740	$1,132
Net income (loss)	($34,100)	($57,733)	($31,806)	($49,395)
Net income (loss) per share	($0.00)	($0.00)	($0.00)	($0.00)

Notes:

1) The total revenue consists of interest income.
2) There were no discontinued operations or extraordinary items in the periods under review.
3) The basic and diluted income (loss) per share numbers were the same in each of the periods under review.

Quarterly results can vary significantly depending on whether the Company has abandoned any properties or granted any stock options. See "results of operations".

Liquidity and capital resources

The Company has no revenue generating operations from which it can internally generate funds. It relies on the sale of its own shares or the sale of its investment to provide cash as needed. This situation is unlikely to change until such time as the Company secures a project on which it can develop a bankable feasibility study.
When acquiring mineral properties the Company will sometimes issue its own stock to the vendor of the property as partial or full consideration for the property.

In 2002 the Company raised $100,000 through a private placement and settled $63,360 of debt by the issue of shares. In 2003 the Company raised $500,000 through the private placement of 2,500,000 units. It settled debts of $51,550 by the issue of 257,750 shares and issued 50,000 shares for property payments. In 2004 the Company raised (gross) $1,014,750 through the private placement of 3,382,499 units and issued 250,000 shares for property payments.

At August 31, 2005 the Company had 18,661,475 shares outstanding, 1,425,500 options outstanding with a weighted average exercise price of $0.28, and 2,475,000 warrants outstanding with an exercise price of $0.30 and 3,475,499 warrants outstanding with an exercise price of $0.40.

Brett spent net of option receipts $13,002 on its properties in 2002, $163,178 in 2003 and $304,697 in 2004. These expenditures are discussed under exploration review.

At August 31, 2004 the Company had no long-term debt or other commitments. Its working capital was $550,278, of which $588,415 was held in cash and cash equivalents. This is sufficient to cover the cost of operating the Company for the next year. Should the Company be successful in acquiring a new property or pursue further exploration on its Honduran properties additional funding will be required.

Off balance-sheet arrangements

The Company has no off-balance sheet arrangements.

Transactions with related parties

Robert Evans, the secretary and chief financial officer of the Company provides accounting and administrative services to the Company through his private company, 312469 BC Ltd at the rate of $375 per day. Total charges in 2004 were $14,700 as compared to $12,000 for 2003.

Carl Hering, CEO, President and director of the Company, provides geological consulting services and management services to the Company at the rate of US $400 per day. Total charges in 2004 were $86,023 as compared to $56,950 for 2003.

Paul Dircksen, former President and a director provided geological services at the rate of US $10,000 per month. Total payments in fiscal 2004 were $94,539, 2003 $0.

Lawrence Nagy a director provided geological services in 2004 of $2,500, 2003 $0.

Rent and administration services were provided by Ascot Resources Ltd. at the rate of $1,000 per month- 2004 $12,000, 2003 $12,000. Robert Evans is a director of Ascot.

John Anderson participated in the Company's private placement for 100,000 shares. At August 31 a portion of the amount due for these shares ($21,000) was still owing to the Company.

Apart from the above there were no transactions with related parties in fiscal 2004.

Fourth quarter

The major transaction in the fourth quarter was the write off of the La Frontera property and the write down of the El Salvador and Nicaragua interests. .

Proposed transactions

There are no proposed transactions

Changes in accounting policies including initial adoption

See note 3 to the audited financial statements re stock based compensation.

Financial instruments and other instruments

The Company's financial instruments include cash and cash equivalents, receivables, investments and payables.

The Company's cash and cash equivalents of $588,415 consist of cash on hand of $189,039 and bankers' acceptance and treasury bills with less than ninety days to maturity of $399,376. The bankers' acceptance and treasury bills yield approximately 2% per annum.

Receivables and payables of $16,515 and $55,625 respectively are normal course business items that are usually settled within thirty days.