ERIN VENTURES INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

A PARTNERSHIP OF INCORPORATED PROFESSIONALS

AMISANO HANSON
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders,
Erin Ventures Inc.

We have audited the consolidated balance sheets of Erin Ventures Inc. as at June 30, 2005 and 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 June 30, 2005 and 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
October 21, 2005

"AMISANO HANSON"
Chartered Accountants

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ERIN VENTURES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2005 and 2004

ASSETS	2005	2004
Current		
Cash	$ 289,561	$ 335,398
Mining tax credit receivable	3,700	3,700
GST receivable	2,767	1,308
Prepaid expenses	10,564	745
	306,592	341,151
Equipment – Note 3	3,995	3,711
Investment	1	1
Resource properties – Notes 5 and 8	21,973	254,329
	$ 332,561	$ 599,192
LIABILITIES		
Current		
Accounts payable – Note 8	$ 243,979	$ 232,176
Note payable – Note 6	368,360	511,903
	612,339	744,079
SHAREHOLDERS' DEFICIENCY		
Share capital – Notes 7 and 10	8,599,419	8,190,920
Shares subscribed – Note 7	353,481	28,000
Deficit	(9,232,678)	(8,363,807)
	(279,778)	(144,887)
	$ 332,561	$ 599,192

Nature and Continuance of Operations – Note 1
Commitments – Notes 7 and 10
Subsequent Events – Notes 7 and 10

APPROVED BY THE DIRECTORS:

"Tim Daniels" Director *"James Wallis"* Director

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the years ended June 30, 2005 and 2004

	2005	2004
Administrative expenses		
Accounting and audit fees	$ 29,375	$ 26,813
Amortization	1,108	1,070
Consulting fees – Note 8	23,466	27,936
Filing fees	5,731	13,033
Interest	7,879	13,805
Interest on long-term debt	56,457	67,314
Investor relations	60,000	70,283
Legal fees	15,550	12,000
Management fees – Note 8	60,000	60,000
Office and miscellaneous – Note 8	58,851	56,859
Rent – Note 8	23,149	17,156
Telephone	24,367	16,751
Transfer agent fees	7,924	7,221
Travel and promotion – Note 8	68,148	28,105
Web site	1,050	753
Loss before other items:	(443,055)	(419,099)
Other items:		
Interest income	2	404
Foreign exchange loss	(21,833)	(8,786)
Gain on settlement of accounts payable	-	6,779
Recovery (write-off) of advances receivable – Note 8	5,350	(64,179)
Write-down of resource property costs – Note 5	(300,904)	(94,392)
Property investigation costs – Note 8	(108,431)	-
Net loss for the year	(868,871)	(579,273)
Deficit, beginning of the year	(8,363,807)	(7,784,534)
Deficit, end of the year	$ (9,232,678)	$ (8,363,807)
Basic and diluted loss per share	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding	35,982,812	32,394,311

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2005 and 2004

	2005	2004
Operating Activities		
Net loss for the year	$ (868,871)	$ (579,273)
Items not affecting cash:		
Amortization	1,108	1,070
Foreign exchange loss	21,833	8,786
Gain on settlement of accounts payable	-	(6,779)
Write-off of advances receivable	-	64,179
Write-down of resource property	300,904	94,392
Accrued interest payable	56,457	67,314
	(488,569)	(350,311)
Changes in non-cash working capital accounts related to operations:		
Mining tax credit receivable	-	7,954
GST receivable	(1,459)	1,377
Prepaid expenses	(9,819)	(745)
Accounts payable	(10,030)	(61,813)
	(509,877)	(403,538)
Financing Activities		
Issuance of common shares	408,499	821,282
Shares subscribed	325,481	28,000
Repayment of note payable	(200,000)	(251,000)
Increase in advances receivable	-	(39,179)
	533,980	559,103
Investing Activities		
Increase in resource properties	(68,548)	(94,392)
Purchase of capital assets	(1,392)	(1,102)
	(69,940)	(95,494)
Increase (decrease) in cash during the year	(45,837)	60,071
Cash, beginning of the year	335,398	275,327
Cash, end of the year	$ 289,561	$ 335,398
Supplemental Cash Flow Information:		
Cash paid for:		
Interest	$ 49,659	$ 50,075
Income taxes	$ -	$ -

Non-cash Transactions – Note 4

SEE ACCOMPANYING NOTES

Note 1 Nature and Continuance of Operations

The Company was incorporated under the laws of the Province of Alberta on July 19, 1993 and on May 28, 2001 registered in the Province of British Columbia as an extra-provincial company. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX").

The Company is in the development stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are 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 necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared on a going concern basis which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2005, the Company has not yet achieved profitable operations and has accumulated $9,232,678 in losses since inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future 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. The financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Note 2 Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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 involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

The 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 Summary of Significant Accounting Policies – (cont'd)

a) Principles of Consolidation

The financial statements include the accounts of the Company and its wholly owned subsidiaries 766072 Alberta Inc. and Balkan Gold Corp. Balkan Gold Corp. was incorporated in Serbia for the purposes of complying with Serbian regulatory requirements related to the Piskanja property and is inactive. All inter-company transactions and balances have been eliminated.

b) Capital Assets

Capital assets are recorded at cost. Amortization is provided for using the declining balance method at the following annual rates:

Office equipment	20% Declining balance
Computer equipment	30% Declining balance

Additions during the year are amortized at one half annual rates.

c) Resource 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.

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.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

Note 2 Summary of Significant Accounting Policies – (cont'd)

d) Government Assistance

Refundable mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to receive the credits. The mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

e) Foreign Currency Translation

Monetary assets and liabilities expressed in foreign currencies are translated at rates of exchange in effect at the end of the year. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rates in effect at the dates on which such items are recognized during the year. Exchange gains and losses arising from translation are included in income during the year.

f) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were 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 anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

g) Financial Instruments

The Company's financial instruments consist of cash, accounts payable and note payable. The fair value of the financial instruments is considered to be equal to the carrying value. 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.

As at June 30, 2005, accounts payable includes $33,313 (2004: $37,551) which bears interest at 18% per annum.

Note 2 Summary of Significant Accounting Policies – (cont'd)

h) Stock-based Compensation

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options granted in fiscal years commencing or after January 1, 2002 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. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

The Company has adopted the new policy on a retroactive basis however, no share purchase options have been granted subsequent to July 1, 2002 and accordingly the change in policy has no effect on prior periods. 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.

i) Long-term Investment

The Company follows the cost method of accounting for investments where the Company's interest is less than 20%. The carrying cost will be written down where a permanent impairment, as determined by management, has occurred.

Note 3 Equipment

	2005		
	Cost	Accumulated Amortization	Net
Office equipment	$ 5,511	$ 3,797	$ 1,714
Computer equipment	16,356	14,075	2,281
	$ 21,867	$ 17,872	$ 3,995

	2004		
	Cost	Accumulated Amortization	Net
Office equipment	$ 5,511	$ 3,369	$ 2,142
Computer equipment	14,964	13,395	1,569
	$ 20,475	$ 16,764	$ 3,711

Note 4 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows as follows:

During the year ended June 30, 2004:

a) the Company issued 2,300,000 common shares to settle accounts payable totalling $552,000.

b) the Company issued 270,000 common shares pursuant to a private placement with respect to an advance payable totalling $67,500 received during the year ended June 30, 2002.

Note 5 Resource Properties – Note 8

	Piskanja Borate Property Serbia	Stope Baby B.C.	Ceiba Belize	Total
Balance, June 30, 2003	$ 1	$ 244,611	$ -	$ 244,612
Consulting	9,912	-	-	9,912
Development plan	54,989	-	-	54,989
General and administrative	14,491	-	-	14,491
Geological consulting	15,000	-	-	15,000
	94,393	244,611	-	339,004
Less:				
Write-downs	(94,392)	-	-	(94,392)
Mining tax credit	-	9,717	-	9,717
Balance, June 30, 2004	1	254,328	-	254,329
Acquisition costs	-	-	8,859	8,859
Consulting	31,336	-	-	31,336
Fuel	-	-	1,199	1,199
General and administrative	7,741	-	389	8,130
Geological consulting	7,500	-	9,697	17,197
Supplies	-	-	1,827	1,827
	46,578	254,328	21,971	322,877
Less: write-downs	(46,577)	(254,327)	-	(300,904)
Balance, January 30, 2005	$ 1	$ 1	$ 21,971	$ 21,973

Note 5 Resource Properties – Note 8 – (cont'd)

Piskanja Borate Property

The Piskanja borate property is located in the Ibar region of the Republic of Serbia ("Serbia"). The Company entered into a joint venture agreement dated October 4, 1996 whereby the Company can earn a 50% interest in the property through direct exploration expenditures (drilling and testing) totalling $2,670,000 to conduct a research and reserves study leading to the preparation of a feasibility study. As at June 30, 2005, the cumulative total of direct exploration expenditures of $2,670,000 has not been completed.

All costs incurred with respect to the property are being written-off pending obtaining acceptable agreements for mining concessions from the Serbian government.

In April 2005, the Serbian government announced a public tender regarding a concession for the mineral rights. The Company believes it has a valid agreement for the mineral rights and is preparing to defend its position as required, however, the outcome of such actions and the status of the Company's agreements is unknown.

Subsequent to June 30, 2005, the Company tendered a bid in accordance with the public tender process and paid a deposit of 4 million Dinars (Cdn$72,832) to the Serbian government in accordance with the bid instructions. The Company considers that participation in this tender process in no way mitigates its position regarding the validity of the previous agreement with the Serbian government with respect to the development of the Piskanja Borate property. The Company intends to seek compensation for its financial loss, if any, in this matter, however, the outcome of this matter cannot be determined at this time.

Stope Baby Mineral Claims

The Stope Baby mineral claims are comprised of 36 mineral claims located in the Cariboo Mining District of British Columbia. Pursuant to an option agreement dated February 28, 2000 and amended January 21, 2001 and March 12, 2002, the Company earned a 25% interest in the claims for consideration paid of $75,000 cash and the issue of 30,303 common shares of the Company.

In order to acquire the remaining 75% interest in the property, the Company was required to make total exploration expenditures on the property as follows:

Date	Expenditures Required	Additional Interest Earned
March 31, 2003	$ 40,000 (incurred)	5%
March 31, 2004	100,000	10%
March 31, 2005	200,000	20%
March 31, 2006	410,000	40%
	$ 750,000	75%

Note 5 Resource Properties – Note 8 – (cont'd)

Stope Baby Mineral Claims – (cont'd)

As at June 30, 2004, the Company had earned a 30% interest in the claims. The Company is in default of the terms of the agreement in respect of the option to acquire the remaining 70% interest. During the year ended June 30, 2005, management of the Company wrote-down the cost of the property by $254,327.

Ceiba Chico Property

By agreement dated May 26, 2005, the Company was granted the option to earn a 90% interest in mineral claims located in Belize. Consideration is US$100,000 cash and US$200,000 in exploration expenditures payable as follows:

Cash

a) US$5,000 to be paid by May 31, 2005 to earn a 4.5% interest (paid Cdn$6,328);

b) US$10,000 to be paid by May 31, 2006 to earn a 13.5% interest;

c) US$15,000 to be paid by May 31, 2007 to earn a 27% interest;

d) US$25,000 to be paid by May 31, 2008 to earn a 49.5% interest;

e) US$45,00 to be paid by May 31, 2009 to earn a 90% interest; and

Exploration

a) US$100,000 to be incurred by May 26, 2006;

b) US$100,000 to be incurred by May 26, 2007.

The optionor has retained a 2.5% net smelter return royalty which may be purchased by the Company for US$400,000. Under the terms of the agreement, the Company will also pay US$24,000 per year, for a minimum of three years, to the optionor to act as general foreman on the exploration program.

The Company intends to issue 200,000 common shares as a finder's fee in connection with this acquisition.

The agreement is subject to regulatory approval.

Note 6 Note Payable

	2005	2005
Note payable bearing interest at 12% per annum to March 31, 2005, and 15% per annum effective April 1, 2005 compounded semi-annually on June 30 and December 31, unsecured and is due October 5, 2006. The interest rate increases to 22% per annum 15 days after note is due.	$ 368,360	$ 511,903

Note 7 Share Capital – Note 10

a) Authorized:

Unlimited voting common shares without nominal or par value
Unlimited preferred shares without nominal or par value

b) Issued: common shares

		Number	Amount
Balance, June 30, 2003		28,429,763	$ 6,533,208
For cash			
Pursuant to private placements	– at $0.25	3,160,000	790,000
	– at $0.30	550,000	165,000
Less: issue costs		-	(59,288)
Pursuant to the exercise of share purchase warrants	– at $0.35	600,000	210,000
For a debt settlement agreement	– at $0.24	2,300,000	552,000
Balance, June 30, 2004		35,039,763	8,190,920
For cash			
Pursuant to private placements	– at $0.25	812,000	203,000
	– at $0.30	693,662	208,099
Less: issue costs		-	(30,600)
Exercise of warrants	– at $0.35	80,000	28,000
Balance, June 30, 2005		36,625,425	$ 8,599,419

c) Commitments:

Stock-based Compensation Plan

The Company has granted directors and employees common share purchase options. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant and vest when granted.

Note 7 Share Capital – Note 10 – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the status of the stock option plan is presented below:

	June 30, 2005		June 30, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	300,000	$0.25	960,000	$0.45
Expired	-	-	(660,000)	$0.53
Options outstanding and exercisable at end of year	300,000	$0.25	300,000	$0.25

At June 30, 2005 the Company has 300,000 share purchase options outstanding entitling the holder thereof the right to purchase one common share for each option held for $0.25 per share until January 18, 2006.

Shares Subscribed

As at June 30, 2005, $379,980 had been received in respect to a private placement of 2,110,999 shares at $0.18 per share, less issue costs of $28,499; and $2,000 had been received in respect to a proposed private placement of 1,067,000 shares at $0.09 per share.

As at June 30, 2004, $28,000 had been received in respect to the exercise of share purchase warrants for 80,000 shares at $0.35 per share.

Share Purchase Warrants

At June 30, 2005 the Company has 1,505,662 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
812,000	$0.35	September 9, 2005
693,662	$0.50	January 17, 2006
1,505,662		

Note 7 Share Capital – Note 10 – (cont'd)

c) Commitments: – (cont'd)

Share Purchase Warrants – (cont'd)

During the year ended June 30, 2005, 2,780,000 common share purchase warrants, previously outstanding and exercisable at $0.50 - $0.75 per share, expired unexercised.

Subsequent to June 30, 2005, 812,000 common share purchase warrants, exercisable at $0.35 per share, expired unexercised.

Note 8 Related Party Transactions

The Company incurred the following costs and expenses charged by directors and companies with directors in common with the Company:

	2005	2004
Resource property costs		
Consulting	$ 10,500	$ 6,500
General and administrative	1,012	-
Geological consulting	7,500	15,000
Property investigation costs	36,645	-
Consulting fees	7,000	8,500
Management fees	60,000	60,000
Office and miscellaneous	2,788	-
Rent	5,000	-
Travel and promotion	15,288	3,000
Write-off (recovery) of advances receivable	(5,350)	39,180
	$ 140,383	$ 132,180

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

Accounts payable as at June 30, 2005 includes $31,235 (2004: $26,217) due to directors of the Company. This amount is comprised of unpaid management fees, consulting fees and travel costs.

Note 9 Corporation Income Tax Losses

The significant components of the Company's future income tax assets are as follows:

	Year ended June 30, 2005	2004
Resource deductions	$ 1,977,428	$ 2,200,000
Non-capital losses	706,149	860,000
Share issue costs	8,291	-
Less: valuation allowance	(2,691,868)	(3,060,000)
	$ -	$ -

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely than not that sufficient taxable income will not be realized in the future to utilize all future tax assets.

At June 30, 2005, the Company has accumulated Canadian and foreign exploration and development expenditures totalling $5,838,459 and non-capital losses totalling $2,084,942 which are available to reduce taxable income in future taxation years. The non-capital losses expire as follows:

2007	$ 73,418
2008	306,085
2009	445,199
2010	371,502
2011	422,909
2012	465,829
	$ 2,084,942

Note 10 Subsequent Events

Subsequent to June 30, 2005:

a) the Company issued 2,110,999 units at $0.18 per unit pursuant to a private placement for which funds have been received at June 30, 2005. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.31 per share until March 24, 2006;

b) the Company granted share purchase options entitling the holders thereof the right to purchase up to 1,100,000 common shares at $0.15 per share until October 11, 2007;

Note 10 Subsequent Events – (cont'd)

c) the Company proposed a private placement of 1,067,000 units at $0.09 per unit. Each unit would consist of one common share of the Company and one-half share purchase warrant. Each warrant would be exercisable into one common share of the Company at $0.15 for two years. This private placement is subject to regulatory approval.

Note 11 Comparative Figures

Certain of the comparative figures for the year ended June 30, 2004 have been reclassified to conform to the current year's presentation.