



(Formerly Street Resources Inc.)

Consolidated Financial Statements

Year ended December 31, 2005

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AUDITORS' REPORT

To the Shareholders of
Exmin Resources Inc. (formerly Street Resources Inc.)

We have audited the balance sheet of Exmin Resources Inc. (formerly Street Resources Inc.) as at December 31, 2005 and the statements of operations and deficit and cash flows for the year 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at December 31, 2004 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those statements in their report dated April 12, 2005.

DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Accountants

April 27, 2006

A Member of *SC INTERNATIONAL*

EXMIN Resources Inc. (formerly Street Resources Inc.)**Consolidated Balance Sheets**

As at December 31

	2005	2004
	\$	\$
ASSETS		
CURRENT		
Cash	283,122	56,364
Reserved funds (note 6)	-	60,923
Receivables	34,785	21,723
Prepaid expenses	125,835	-
Loan receivable (note 5)	-	467,000
	443,742	606,010
Equipment (note 4)	63,696	-
Mineral properties (note 5)	2,407,981	169,551
Deferred transaction costs (note 3)	-	97,055
	2,471,677	266,606
	2,915,419	872,616
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	112,152	139,025
Due to shareholder (note 6)	-	74,757
	112,152	213,782
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 7)		
Capital stock	7,544,109	4,451,078
Contributed surplus	742,773	572,748
DEFICIT	(5,483,615)	(4,364,992)
	2,803,267	658,834
	2,915,419	872,616

Nature and continuance of operations (note 1)

Subsequent events (note 13)

APPROVED BY THE DIRECTORS

"Kelsey Boltz"
Director*"Karl Boltz"*
Director*The accompanying notes are an integral part of these consolidated financial statements*

EXMIN Resources Inc. (formerly Street Resources Inc.)
Consolidated Statements of Operations and Deficit
Years ended December 31

	2005 \$	2004 \$
REVENUE	-	707,848
COST OF SERVICES	-	661,308
GROSS OPERATING PROFIT	-	46,540
EXPENSES		
Amortization	2,852	93,861
Automobile	10,253	-
Bank charges	6,478	-
Consulting	275,382	-
Directors' fees	3,000	-
Filing fees	40,902	-
Foreign exchange loss	44,682	-
Investor relations	245,234	-
Miscellaneous	200	-
Office	24,250	-
Professional fees	176,038	-
Property examination cost	156,218	-
Selling, general and administrative	-	226,926
Stock-based compensation (note 7)	6,378	-
Travel	47,723	-
	1,039,590	320,787
LOSS BEFORE OTHER ITEMS	(1,039,590)	(274,247)
OTHER ITEMS		
Receivable write-down	(228,826)	-
Goodwill impairment (note 6)	-	(150,000)
Forgiveness of debt (note 11)	138,733	-
Interest income	11,060	18,287
Interest expenses	-	(22,045)
LOSS FOR THE YEAR	(1,118,623)	(428,005)
DEFICIT, BEGINNING OF YEAR	(4,364,992)	(3,936,987)
DEFICIT, END OF YEAR	(5,483,615)	(4,364,992)
BASIC AND DILUTED LOSS PER SHARE	(0.03)	(0.03)
Weighted average common shares outstanding	36,610,243	14,210,691

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

EXMIN Resources Inc. (formerly Street Resources Inc.)

Consolidated Statements of Cash Flows

Years ended December 31

	2005 \$	2004 \$
OPERATING ACTIVITIES		
Loss for the year	(1,118,623)	(428,005)
Adjustment:		
Amortization	2,852	93,861
Goodwill impairment	-	150,000
Receivable write-down	228,826	-
Stock-based compensation	6,378	-
Changes in non-cash working capital:		
Receivables	(140,476)	(26,153)
Reserved funds	60,923	(60,923)
Deferred revenue	-	(44,208)
Prepaid expenses	(86,344)	(655)
Accounts payable and accrued liabilities	(238,271)	36,881
	(1,284,735)	(279,202)
FINANCING ACTIVITIES		
Deferred transaction costs	-	(97,055)
Due to shareholder	(74,757)	74,757
Issuance of special units, net of costs	-	996,856
Issuance of share capital for cash	3,753,750	-
Increase in advances from a shareholder	-	39,780
Share issue costs	(500,017)	-
	3,178,976	1,014,338
INVESTING ACTIVITIES		
Advance to EXMIN, Inc.	(395,000)	(467,000)
Cashed disposed on sale of assets	-	(77,168)
Cash from acquisition of Exmin, Inc.	93,153	-
Acquisition of property, plant and equipment	(48,104)	-
Acquisition of mineral properties	(1,317,532)	(169,551)
	(1,667,483)	(713,719)
INCREASE IN CASH	226,758	21,417
CASH, BEGINNING OF YEAR	56,364	34,947
CASH, END OF YEAR	283,122	56,364

SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (note 8)

Income taxes paid	-	-
Interest paid	-	1,120
Sale of e-learning business (note 6)	-	646,916

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

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act of Ontario. Effective November 30, 2004, the Company entered into an asset sale agreement with Learning Library Limited Partnership ("LLL"), pursuant to which the Company sold substantially all of the assets related to its e-learning and e-communication application services and solutions business (the "e-learning business") to LLL in exchange for LLL assuming all of the liabilities related to the business (note 6). Pursuant to the articles of amendment dated December 31, 2004, the Company changed its name from The Learning Library Inc. to Street Resources Inc.

Subsequent to the acquisition of EXMIN, Inc. (note 3), pursuant to a special resolution passed by the shareholders of the Company on June 20, 2005, the Company was continued to the Province of British Columbia and changed its name from Street Resources Inc. to EXMIN Resources Inc. effective July 14, 2005. The shares of the Company trade on the TSX Venture Exchange ("the Exchange").

The Company has changed its focus to the acquisition, exploration and development of mineral resource properties, and is now considered an exploration stage company, with properties in Canada and Mexico. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete equity financings, or generate profitable operations in the future.

	2005	2004
Deficit	\$ (5,483,615)	\$ (4,364,992)
Working capital	331,590	392,228

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of EXMIN, Inc., and EXMIN S.A. de C.V. (Note 3), from the date of acquisition on April 14, 2005 onward. Significant inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Vehicles	20% - 25%
Computer equipment	30%
Furniture and fixtures	20%

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Stock-based compensation

The Company uses the fair value-based methodology for measuring compensation costs whereby the Company recognizes the fair value of compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the year.

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition

The Company's revenue consisted of portal development, portal maintenance and contracts, conversion of course content, developing and hosting tests and assessments, user fees from courses and tests, speaker bureau fees, sponsorship and sale of compact discs or similar products produced from the above. Revenues earned from portal development, conversion of course content and development tests and assessments were recognized on a percentage of completion basis, generally representing time spent relative to total time estimated.

Revenues from portal maintenance contracts were recognized over the period of the contracts.

User fees from courses, tests and assessments were recognized as revenue when the course, test or assessment was taken.

Speaker bureau fees were recognized as revenue upon the completion of the event. Revenues from sponsorship were recognized when received and were recognized over the term of the contract or one year, whichever was greater.

Revenues from the sale of compact discs or similar products were recognized when delivery to the customer had occurred.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

3. ACQUISITION OF EXMIN, INC.

On April 14, 2005, the Company acquired 100% of the issued and outstanding capital stock of EXMIN, Inc. in consideration for:

- (i) 12,000,000 common shares of the Company's capital stock;
- (ii) share purchase warrants to acquire 2,000,000 common shares exercisable for a period of five years at a price of \$0.75 per share (subsequently amended to \$0.60 for the first two years and \$0.75 per share for the remaining three years);
- (iii) share purchase warrants to acquire 2,000,000 common shares exercisable for a period of five years at a price of \$1.00 per share (subsequently amended to \$0.60 per share for the first two years and \$0.75 per share for the remaining three years);
- (iv) a loan of \$862,000.

The acquisition is accounted for by the purchase method and the results of operations of EXMIN, Inc. have been included in the consolidated financial statements from the date of acquisition.

The cost of the acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such a case, the fair value of the net assets acquired is used. Due to the illiquidity of the common shares of the Company issued on acquisition, the fair value of the shares and warrants could not be determined.

The total purchase price was based on the loan of \$862,000 allocated to the fair value of the net assets of EXMIN, Inc. as follows:

Cash	\$ 93,153
Receivables	101,412
Prepaid expenses	39,491
Mineral properties	777,066
Equipment, net	27,567
Accounts payable and accrued liabilities	<u>(176,689)</u>
	<u>\$ 862,000</u>

EXMIN, Inc., through its subsidiary, EXMIN, S.A. de C.V., has certain exploration properties in Mexico. At December 31, 2004, the Company had incurred certain professional costs totaling \$97,055 related to the acquisition and concurrent financing that were recorded as deferred acquisition costs. These costs have been recorded as share issue costs on the closing of the EXMIN, Inc. acquisition.

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

4. EQUIPMENT

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicles	\$ 71,718	\$ 11,513	\$ 60,205	\$ -
Computer equipment	1,337	200	1,137	-
Furniture and fixtures	<u>2,616</u>	<u>262</u>	<u>2,354</u>	<u>-</u>
	<u>\$ 75,671</u>	<u>\$ 11,975</u>	<u>\$ 63,696</u>	<u>\$ -</u>

The Company had disposed of its previous equipment during the year ended December 31, 2004 pursuant to the sale of the e-learning business (note 6).

5. MINERAL PROPERTIES

	Reyna de Oro Project (a)	Maguarichic Project (b)	Moris Properties (c)	Street Township Project (d)	Total
Balance, December 31, 2003	\$ -	\$ -	\$ -	\$ -	-
Acquisition costs	50,000	-	-	-	50,000
Exploration expenditures	29,391	-	-	90,160	119,551
Balance, December 31, 2004	79,391	-	-	90,160	169,551
Acquisition of EXMIN, Inc.	747,884	29,182	-	-	777,066
Acquisition costs	177,921	-	222,435	100,500	500,856
Claim legal rights	4,125	8,235	-	-	12,360
Consulting and professional	263,496	64,360	-	-	327,856
Drilling	165,507	-	-	-	165,507
Equipment leasing	122,873	-	-	-	122,873
Equipment maintenance	8,675	235	-	-	8,910
Equipment	9,399	-	-	-	9,399
Field office	19,012	4,707	-	-	23,719
Fuel	36,385	1,351	-	-	37,736
Insurance	2,657	-	-	-	2,657
Materials and tools	18,324	-	-	-	18,324
Mineral sample analysis	79,846	1,167	-	-	81,013
Taxes	33,389	3,116	-	-	36,505
Traveling and camp meals	41,951	2,005	-	-	43,956
Other	64,037	4,816	840	-	69,693
Balance, December 31, 2005	\$ 1,874,872	\$ 119,174	\$ 223,275	\$ 190,660	\$ 2,407,981

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

5. MINERAL PROPERTIES (cont'd...)

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

(a) Reyna de Oro Project

In July 2004, the Company entered into an agreement, as amended, with EXMIN, Inc. whereby the Company paid EXMIN, Inc. \$500,000 to acquire a 10% carried interest in EXMIN, Inc.'s Reyna de Oro concessions and an option to acquire all the issued and outstanding shares of EXMIN, Inc. The acquisition of EXMIN, Inc. completed in 2005 (note 3). The parties also agreed to re-characterize the \$500,000 option payment as a loan of \$450,000 and a \$50,000 property acquisition payment. The loan balance had accrued interest of \$17,000 as at December 31, 2004.

With the acquisition of EXMIN, Inc., the Company has a 25% interest in two concessions covering the Reyna de Oro project. The Company can acquire the remaining 75% interest by making staged payments to the owners of the concessions, totalling US\$2 million over five years, as follows:

- US \$20,000 on execution of the agreement (paid);
- US \$30,000 on or before September 23, 2004 (paid);
- US \$100,000 on or before March 23, 2005 (paid);
- US \$150,000 on or before September 23, 2005 (paid);
- US \$200,000 on or before March 23, 2006⁽ⁱ⁾;
- US \$250,000 on or before September 23, 2006;
- US \$300,000 on or before March 23, 2007;
- US \$350,000 on or before September 23, 2007;
- US \$400,000 on or before March 23, 2008; and
- US \$200,000 on or before September 23, 2008.

Upon full payment, all rights, interests and title in the Reyna Concessions will be transferred to the Company, who also has the right to pay the outstanding balance to earn the remaining interest in the Reyna Concessions at any time without penalty. The Company also has the right to terminate the agreement at any time upon 15 days written notice to the Optionors before any scheduled payment.

⁽ⁱ⁾ Subsequent to December 31, 2005, the Company paid US\$60,000 and is currently attempting to renegotiate the terms of the option agreement.

This project also includes certain concessions owned 100% by the Company.

(b) Maguarichic Project

The Company has a 100% interest in the Luz de Oro and Tati de Oro concessions located in Maguarichic area of Mexico.

In addition, On June 17, 2005 the Company entered into an option agreement to purchase up to 100% rights to the Santa Rosa concession for a total commitment of US \$20,000 in staged payments, with five payments of US \$2,000 every six month beginning on the date of execution of the agreement, followed by two payments of US \$5,000.

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

5. MINERAL PROPERTIES (cont'd...)

(c) Moris Properties

The Company acquired certain concessions in the Moris and Arechuyvo districts of western Chihuahua State, Mexico for a cash payment of US\$100,000. The Company holds 100% title ownership of these concessions.

Concurrently, the Company acquired the underlying option agreement for one concession, La Fe. The Company may earn 100% title interest by paying US \$195,000 over four years, of which US\$10,000 has been paid. The Company has agreed to maintain the concession in good standing.

The Company entered into an option agreement to acquire 100% of certain additional concessions located in the Moris District of Western Chihuahua State, Mexico. The Company paid US\$65,000 and may earn 100% by paying US\$785,000 over five years.

(d) Street Township Project

Pursuant to a series of agreements with 2029778 Ontario Inc., a corporation controlled by an individual who, after signing of the agreement became a director and who subsequently resigned, the Company entered into an option to earn a 100% interest in certain mining claims located in the Street Township, Sudbury Mining Division of Ontario. In accordance with the terms of the agreements, the Company issued 1,000,000 common shares valued at \$100,000 and incurred a minimum of \$75,000 in exploration expenditures. In order to complete the acquisition, the Company is required to make additional payments of \$40,000, issue 600,000 common shares and incur \$600,000 in exploration expenditures in stages to February, 2008. The property is subject to a 1.5% Net Smelter Return Royalty which may be purchased in consideration of \$500,000 per one half percent (0.5%).

6. SALE OF E-LEARNING BUSINESS

Effective November 30, 2004, the Company sold its e-learning business and related assets to LLLP, a partnership controlled by a significant shareholder, former officer and director of the Company, in consideration of the assumption of all of the Company's debts relating to the e-learning business. The liabilities assumed by LLLP included advances and a note payable to the significant shareholder. The sale transaction is a related party transaction not in the normal course of operations and, accordingly, was measured at the carrying amount. As a result, the difference between the carrying amounts of the assets disposed of and the liabilities assumed is credited to contributed surplus.

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

6. SALE OF E-LEARNING BUSINESS (cont'd...)

A detailed breakdown of the transaction is as follows:

Cash	\$	77,168
Non-cash working capital		113,676
Long-term accounts receivable		8,560
Equipment, net book value		798
E-learning assets disposed of		200,202
Less: liabilities assumed by LLLP		(769,950)
(Excess) of liabilities assumed over assets disposed of, credited to contributed surplus	\$	(569,748)

As at December 31, 2004, there was cash in trust in the amount of \$60,923 and GST recoverable of \$13,834 owing by the Company to LLLP. These amounts have been paid in 2005.

During 2004, the Company wrote-off goodwill of \$150,000 to operations to reflect the change in business of the Company from e-learning to mineral exploration.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Capital stock

Authorized:

- Unlimited number of common shares without par value.
- Unlimited number of preference shares without par value, convertible into common shares at the rate of one common share for one preference share.
- Unlimited number of special shares without par value, convertible into common shares and Series 2 common share purchase warrants at the rate of one common share and one Series 2 common share purchase warrant for one special share. Each Series 2 common share purchase warrant entitles the holder thereof to purchase one common share at \$0.30 per share for a period of two years.

Issued:

Common shares	Shares #	Amount \$	Contributed Surplus (\$)
Balance, December 31, 2003	9,086,239	2,290,881	3,000
Conversion of preference shares	967,757	1,163,341	-
Sale of e-learning business (note 6)	-	-	569,748
Special units	10,160,000	996,856	-
Balance, December 31, 2004	20,213,996	4,451,078	572,748
Issuance pursuant to mineral property agreement	1,000,000	100,000	-
Conversion of subscription receipts	8,025,000	3,210,000	-
Share issue costs	-	(760,719)	163,647
Purchase of EXMIN, Inc. (Note 3)	12,000,000	-	-
Exercise of warrants	2,025,000	303,750	-
Adjustment for fractional shares	15	-	-
Stock-based compensation	-	-	6,378
Private placement	600,000	240,000	-
Balance, December 31, 2005	43,864,011	7,544,109	742,773

EXMIN RESOURCES INC.
(formerly Street Resources Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Common shares

On December 31, 2004, the Company completed a reverse stock split on a 2.75 to 1 basis. Accordingly, all common share, warrant and option amounts have been restated to give effect to the reverse stock split for all periods presented in the financial statements. Additionally, basic and diluted loss per share have been adjusted for all periods presented to reflect this change.

During 2004, the Company issued 10,160,000 special units at a price of \$0.10 per unit for net proceeds of \$996,856. During fiscal 2005, in accordance with their original terms, each special unit was exercised to acquire, for no additional consideration, one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company for \$0.15 expiring January 4, 2007.

In February 2005, the Company issued 1,000,000 common shares at a value of \$100,000 for the Street Township Project as described in note 5 (d).

In February 2005, the Company issued 8,025,000 subscription receipts at a price of \$0.40 per subscription receipt for proceeds of \$3,210,000. Each subscription receipt consisted of one common share and one half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of \$0.60 until February 25, 2007. These subscription receipts were automatically converted into units upon completion of the acquisition of EXMIN, Inc. (note 3), each unit having the same terms and conditions as the subscription receipts. The Company paid issuance costs of \$567,340 and granted 702,500 agents' compensation options, valued at \$163,647, exercisable at \$0.40 into one common share and one half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of \$0.60 until February 25, 2007. The fair value of these compensation options was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 3.5%; dividend yield 0%; volatility of 71.10%; and expected life of 2 years.

In June 2005, the Company issued 600,000 units at a price of \$0.40 per share for gross proceeds of \$240,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional common share at a price of \$0.60 per share expiring September 14, 2007.

As at December 31, 2005, 127,272 common shares currently issued and outstanding are to be cancelled pursuant to an agreement dated May 2, 2003 relating to a previous acquisition that was written off in 2003.

Stock options and warrants

The Company adopted a stock option plan approved by shareholders to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and will vest 30% twelve months after grant, 30% twenty-four months after grant and the balance thirty-six months after grant.

EXMIN RESOURCES INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants (cont'd...)

The Company adopted a stock option plan approved by shareholders to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and will vest 30% twelve months after grant, 30% twenty-four months after grant and the balance thirty-six months after grant.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2003	1,849,886	\$ 0.825	689,213	\$ 0.825
Granted	-	-	-	-
Exercised	-	-	-	-
Expired/cancelled	(1,849,886)	0.825	(21,819)	0.413
Outstanding, December 31, 2004	-	-	667,394	0.825
Granted	18,472,500	0.35	450,000	0.40
Exercised	(2,025,000)	0.15	-	-
Expired/cancelled	-	-	(912,849)	0.69
Outstanding, December 31, 2005	16,447,000	\$ 0.38	204,545	\$ 0.51
Number currently exercisable	16,447,500	\$ 0.38	54,545	\$ 0.825

The following incentive stock options and share purchase warrants were outstanding at December 31, 2005:

	Number of Shares	Exercise Price	Expiry Date
Stock options:	54,545	\$ 0.825	July 31, 2006
	150,000	0.40	April 14, 2010
Warrants:	8,135,000	0.15	January 4, 2007
	4,012,500	0.60	February 25, 2007
	4,000,000	0.60	April 14, 2007
	300,000	0.75	April 14, 2010
		0.60	June 14, 2007
Agents options ⁽¹⁾	702,500	0.40	February 25, 2007

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants (cont'd...)

⁽¹⁾ Each agent's compensation option is exercisable at \$0.40 into one common share and one half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of \$0.60 until February 25, 2007.

Stock-based compensation

During fiscal 2005, the Company granted 450,000 (2004 – NIL) options to current and former officers and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations. Total stock-based compensation recognized in the statement of operations during fiscal 2005 was \$6,375 (2004 – \$Nil) for options granted and vested and the weighted average fair value of options granted was \$0.18 per share (2004 - \$Nil). This amount was also recorded as contributed surplus on the balance sheet.

The weighted average fair value of the 450,000 options granted during the period was \$0.18 per option using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 3.5%; dividend yield 0%; volatility of 71.10%; and expected life of approximately 5 years.

Escrow provisions

The 12,000,000 common shares and 4,000,000 share purchase warrants issued to the former shareholders of EXMIN, Inc. were placed in escrow in accordance with Exchange policies. The escrow agreement provides that the escrowed securities will be released from escrow at 6-month intervals over the 18 months following the Exchange bulletin issued in connection with the acquisition of EXMIN, Inc. 25% of the escrow securities being released in each tranche, with an initial 25% being released on the date of the issuance of the Exchange bulletin, April 22, 2005. As at December 31, 2005, 9,000,000 common shares and 3,000,000 share purchase warrants remain in escrow.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2005 included the Company:

- a) Issuing 702,500 agents' compensation units valued at \$163,647 as finders fees on private placements.
- b) Issuing 12,000,000 common shares to acquire Exmin, Inc. (note 3)
- c) Issuing 1,000,000 common shares valued at \$100,000 pursuant to option agreements to acquire mineral properties.
- d) Mineral property costs of \$43,832 incurred through accounts payable and amortization of equipment.

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9. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2005	2004
Loss before income tax	\$ (1,118,623)	\$ (428,005)
Expected income tax (recovery)	\$ (380,000)	\$ (154,000)
Non-deductible and other items	148,000	189,000
Share issuance costs	(77,000)	(38,000)
Unrecognized benefit of non-capital losses	<u>309,000</u>	<u>3,000</u>
Total income taxes	\$ -	\$ -

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

	2005	2004
Future income tax assets (liabilities)		
Mineral properties	\$ (69,000)	\$ -
Share issue costs	201,000	79,000
Equipment	328,000	370,000
Non-capital loss carry forwards	<u>1,067,000</u>	<u>994,000</u>
	1,527,000	1,443,000
Valuation allowance	<u>(1,527,000)</u>	<u>(1,443,000)</u>
Net future income tax assets	\$ -	\$ -

The Company has available for deduction against future years' taxable income non-capital losses at December 31, 2005 of approximately \$3,140,000. Unless utilized, these losses will expire through to 2015. Future tax benefits, which may arise as a result of these losses and resource expenditures, have not been recognized in these financial statements and have been offset by a valuation allowance.

Due to the uncertainty of collecting \$228,826 of value added tax from the Mexican taxation authorities, the Company has decided to provide a full allowance against the receivable.

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10. SEGMENTED INFORMATION

The Company currently operates in one reportable operating segment, being the acquisition and exploration of mineral properties, predominantly in Mexico and Canada.

Geographic segmentation is as follows:

	2005	2004
Canada:		
Equipment	\$ 2,354	\$ -
Mineral properties	190,660	90,160
	193,014	90,160
Mexico:		
Equipment	61,342	-
Mineral properties	2,217,321	79,391
	2,278,663	79,391
	\$ 2,471,677	\$ 169,551

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2005, the Company entered into the following transactions with related parties:

- a) Paid or accrued professional fees of \$35,950 to a company owned by an officer of the Company (2004 - \$161,646 professional fees and share issuance costs to a law firm of which a former director of the Company is a partner).
- b) Issued 1,000,000 common shares valued at \$100,000 to a company controlled by a former director of the Company (Note 5).
- c) Paid or accrued consulting fees of \$250,286 (2004 - \$19,000) to directors and an officer of the Company.
- d) Paid or accrued directors' fees of \$3,000 (2004 - \$Nil) to directors of the Company.

Included in the gain on forgiveness of debt is \$110,125 in settlement with directors of the Company.

Included in accounts payable and accrued liabilities is \$32,987 (2004 - \$103,428) due to directors and officers of the Company.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, reserved funds, receivables, loan receivable, accounts payable and accrued liabilities, and due to shareholder. 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. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuation in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2005, the Company:

- a) Issued 14,533,333 units for proceeds of \$2,180,000 consisting of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at \$0.20 for a period of two years. The company paid finders fees of \$210,500 and granted brokers warrants to acquire 1,403,333 units at \$0.15 per brokers warrant exercisable for a period of two years into one unit identical to the placement units.
- b) Granted an option to earn up to a 75% interest in the Maguarichic Project located in Chihuahua, Mexico. In order to earn up to a 65% interest, the optionor is required to make staged payments to the Company of US\$600,000, drill a minimum of 2,000 meters and incur exploration expenditures of US\$3,500,000 by February, 2011. The optionor may earn an additional 10% interest by completing a pre-feasibility study.
- c) Entered into a letter of intent, subject to regulatory approval, to grant an option to earn a 70% interest in the Moris property located in Chihuahua, Mexico. In order to earn a 70% interest, the optionor is required to incur exploration expenditures of US\$4,800,000 and subscribe for US\$850,000 in capital stock of the Company in stages to March, 2011.
- d) Entered into an option to acquire a 50% interest in a single concession and a 100% interest in certain additional mining concessions and located in Chihuahua, Mexico in consideration for a payment of US\$10,000. In order to complete the acquisition, the Company is required to pay US\$1,500,000 in stages over four years. The Company can terminate the agreement after completing payments of US\$135,000 over the first eighteen months of the contract. The property is subject to a royalty of US\$1 per once gold on commencement of production.
- e) Issued 1,300,000 common shares for proceeds of \$190,000 pursuant to the exercise of warrants.
- f) Granted incentive stock options to acquire 2,505,500 common shares exercisable at \$0.25 per share expiring April 7, 2010.