
TUMI RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

AUDITORS' REPORT

To the Shareholders of
Tumi Resources Limited

We have audited the consolidated balance sheets of Tumi Resources Limited as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flow 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 December 31, 2004 and 2003 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

On March 7, 2005 we reported separately to the shareholders of Tumi Resources Limited on consolidated financial statements as at December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002 audited in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) which include a reconciliation to United States generally accepted accounting principles.

"D&H Group LLP"

Vancouver, B.C.
March 7, 2005

Chartered Accountants

D&H Group LLP

a British Columbia Limited Liability Partnership of Corporations

A Member of BHD Association with affiliated offices across Canada and Internationally

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TUMI RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2004 AND 2003

	2004	2003
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	2,218,301	3,273,437
Amounts receivable and prepaids	<u>101,091</u>	<u>71,867</u>
	2,319,392	3,345,304
PROPERTY AND EQUIPMENT (Note 3)	175,869	11,476
MINERAL RESOURCE INTERESTS (Note 4)	<u>2,954,918</u>	<u>1,564,937</u>
	<u><u>5,450,179</u></u>	<u><u>4,921,717</u></u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>60,430</u>	<u>138,853</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 5)	8,070,761	5,529,478
CONTRIBUTED SURPLUS	658,984	278,333
DEFICIT	<u>(3,339,996)</u>	<u>(1,024,947)</u>
	<u>5,389,749</u>	<u>4,782,864</u>
	<u><u>5,450,179</u></u>	<u><u>4,921,717</u></u>

NATURE OF OPERATIONS (Note 1)

APPROVED BY THE DIRECTORS

"David Henstridge" , Director

"Nick DeMare" , Director

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

TUMI RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004 \$	2003 \$ <i>(Note 2)</i>
EXPENSES		
Accounting and administration	25,130	39,395
Amortization	5,011	1,043
Audit	31,007	21,441
Consulting	50,853	88,451
Corporate development	35,603	19,442
Fiscal advisory fees	-	31,085
Investment conferences	16,401	15,019
Investor relations	27,250	24,000
Legal	27,490	29,020
Management fees	31,800	31,800
Office	49,401	48,849
Regulatory	10,895	15,913
Rent	5,400	-
Salaries and benefits	27,197	-
Shareholder costs	21,774	7,952
Stock-based compensation	417,441	262,995
Transfer agent	12,894	7,772
Travel and related	127,001	80,543
	<u>922,548</u>	<u>724,720</u>
LOSS BEFORE OTHER ITEMS	<u>(922,548)</u>	<u>(724,720)</u>
OTHER ITEMS		
Interest income	41,932	4,301
Write-off of mineral resource interests	(1,355,052)	-
Foreign exchange	(103,626)	(39,985)
Other	24,245	-
	<u>(1,392,501)</u>	<u>(35,684)</u>
NET LOSS FOR THE YEAR	<u>(2,315,049)</u>	<u>(760,404)</u>
DEFICIT - BEGINNING OF YEAR	<u>(1,024,947)</u>	<u>(264,543)</u>
DEFICIT - END OF YEAR	<u><u>(3,339,996)</u></u>	<u><u>(1,024,947)</u></u>
LOSS PER COMMON SHARE - BASIC AND DILUTED	<u><u>(\$0.14)</u></u>	<u><u>(\$0.09)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	<u><u>16,535,570</u></u>	<u><u>8,417,122</u></u>

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

TUMI RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004 \$	2003 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(2,315,049)	(760,404)
Adjustments for items not involving cash		
Stock-based compensation	417,441	262,995
Amortization	5,011	1,043
Write-off of mineral resource interests	1,355,052	-
	<u>(537,545)</u>	<u>(496,366)</u>
Increase in amounts receivable and prepaids	(29,224)	(56,422)
Increase (decrease) in accounts payable and accrued liabilities	<u>(78,423)</u>	<u>76,299</u>
	<u>(645,192)</u>	<u>(476,489)</u>
INVESTING ACTIVITIES		
Expenditures on mineral resource interests	(1,860,369)	(795,954)
Purchase of property and equipment	<u>(177,568)</u>	<u>(12,519)</u>
	<u>(2,037,937)</u>	<u>(808,473)</u>
FINANCING ACTIVITIES		
Issuance of common shares	1,627,993	4,400,960
Share issue costs	-	<u>(228,239)</u>
	<u>1,627,993</u>	<u>4,172,721</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - DURING THE YEAR	(1,055,136)	2,887,759
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,273,437</u>	<u>385,678</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>2,218,301</u></u>	<u><u>3,273,437</u></u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	718,301	1,273,437
Short-term deposit	<u>1,500,000</u>	<u>2,000,000</u>
	<u><u>2,218,301</u></u>	<u><u>3,273,437</u></u>

SUPPLEMENTARY CASH FLOW INFORMATION - See Note 9.

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

TUMI RESOURCES LIMITED
CONSOLIDATED SCHEDULE OF MINERAL RESOURCE INTERESTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004					2003	
	Mexico				Peru		Total \$
	Cinco Minas \$	Gran Cabrera \$	Jimenez del Teul \$	San Jorge \$	Tinka \$	Total \$	
BALANCE, BEGINNING OF YEAR	1,296,441	175,932	-	-	92,564	1,564,937	632,983
COSTS INCURRED DURING THE YEAR							
EXPLORATION							
Amortization	8,164	-	-	-	-	8,164	-
Assays	30,646	5,915	22,274	-	-	58,835	38,919
Assay preparation	12,824	1,106	172	-	-	14,102	9,588
Camp costs	39,118	3,949	13,594	-	-	56,661	29,269
Communications	-	-	-	-	-	-	25,570
Consulting	-	-	-	-	-	-	1,850
Drilling	130,102	-	-	-	-	130,102	236,343
Environmental	21,961	-	-	-	-	21,961	14,793
Geological	342,524	55,765	49,805	-	-	448,094	111,170
Geophysical	-	-	21,972	-	-	21,972	-
Metallurgical	-	-	-	-	-	-	3,184
Mine rights	6,691	4,482	99,922	-	-	111,095	-
Other	54,225	8,451	26,762	-	-	89,438	1,200
Scoping study	29,903	-	-	-	-	29,903	-
Site access	105,065	39,416	-	-	-	144,481	62,155
Supplies	-	-	-	-	-	-	14,644
Topography	2,430	-	14,291	-	-	16,721	22,384
Travel	36,391	4,148	5,878	-	-	46,417	45,429
Wages	90,390	14,084	49,452	-	-	153,926	76,337
Water study	5,884	-	-	-	-	5,884	-
	916,318	137,316	304,122	-	-	1,357,756	692,835
ACQUISITION							
Payments	329,404	12,254	110,364	58,755	-	510,777	103,119
Issuance of shares	288,000	282,500	240,000	66,000	-	876,500	136,000
	617,404	294,754	350,364	124,755	-	1,387,277	239,119
	1,533,722	432,070	654,486	124,755	-	2,745,033	931,954
BALANCE BEFORE WRITE-OFFS	2,830,163	608,002	654,486	124,755	92,564	4,309,970	1,564,937
WRITE-OFFS	-	(608,002)	(654,486)	-	(92,564)	(1,355,052)	-
BALANCE, END OF YEAR	2,830,163	-	-	124,755	-	2,954,918	1,564,937

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

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. NATURE OF OPERATIONS

Tumi Resources Limited (the "Company") is a junior mineral exploration company engaged in the acquisition and exploration of precious metals on mineral properties located in Mexico. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, TMXI Resources S.A. de C.V. (Mexico) and Kay Metals Ltd. and its 60% owned subsidiary, Compania Minera Cinco Minas S.A. de C.V. (Mexico). Intercompany balances and transactions are eliminated on consolidation.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results may differ from those estimates.

Cash Equivalents

Cash includes cash and short-term deposits maturing within 90 days of the original date of acquisition.

Unproven Mineral Interests

Unproven mineral interests costs and exploration, development and field support costs directly relating to mineral interests are deferred until the interests to which they relate is placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if the mineral interest is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific mineral interest are expensed as incurred.

On a periodic basis, management reviews the carrying values of deferred unproven mineral interest acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Although the Company has taken steps to verify title to the unproven mineral interests, according to the usual industry standards for the stage of exploration of such mineral interests, these procedures do not guarantee the Company's title. Such mineral interests may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of mineral interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral interest costs or recoveries when the payments are made or received.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets, generally at a rate of 5% for the condominium and 20% for office equipment, vehicles and field equipment.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at December 31, 2004, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Translation of Foreign Currencies

Monetary assets and liabilities are translated into Canadian dollars at the balance sheet date rate of exchange and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at appropriate transaction date rates except for amortization, depreciation and depletion, which are translated at historical rates. Gains and losses resulting from the fluctuation of foreign exchange rates have been included in the determination of income.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Earnings (Loss) Per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Comparative Figures

Certain of the 2003 fiscal year figures have been reclassified to conform with the presentation used in the 2004 fiscal year.

3. PROPERTY AND EQUIPMENT

	2004 \$	2003 \$
Condominium	132,840	-
Office	21,377	4,810
Vehicles	35,870	7,709
	<u>190,087</u>	<u>12,519</u>
Less accumulated amortization	<u>(14,218)</u>	<u>(1,043)</u>
	<u><u>175,869</u></u>	<u><u>11,476</u></u>

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

4. MINERAL RESOURCE INTERESTS

	2004			2003		
	Acquisition Costs \$	Exploration Expenditures \$	Total \$	Acquisition Costs \$	Exploration Expenditures \$	Total \$
Cinco Minas	1,047,643	1,782,520	2,830,163	430,239	866,202	1,296,441
Gran Cabrera	-	-	-	169,132	6,800	175,932
Jimenez del Teul	-	-	-	-	-	-
San Jorge	124,755	-	124,755	-	-	-
Tinka	-	-	-	88,073	4,491	92,564
	<u>1,172,398</u>	<u>1,782,520</u>	<u>2,954,918</u>	<u>687,444</u>	<u>877,493</u>	<u>1,564,937</u>

a) Cinco Minas, Mexico

By agreements dated July 6, 2002 and August 18, 2002, the Company holds an option to earn a 60% interest in mineral claims covering approximately 600 hectares, located in Jalisco, Mexico, in consideration of US \$50,000 cash (paid), conducting exploration expenditures and making underlying property payments totalling US \$2.5 million and issuing 1.1 million common shares (600,000 shares issued) over a three year period.

b) Gran Cabrera, Mexico

On October 23, 2002, the Company entered into an agreement whereby the Company held an option to earn a 60% interest in mineral claims covering approximately 3,950 hectares, located in Jalisco, Mexico, in consideration of making a US \$45,500 payment for past property taxes (paid), conducting exploration expenditures totalling US \$2.5 million and issuing 750,000 common shares (500,000 shares issued) of the Company over a three year period.

Based on the results from exploration activities conducted by the Company in fiscal 2004, the Company determined to cease any further work on the Gran Cabrera Prospect. Accordingly, during the 2004 fiscal year, the Company wrote-off \$608,002 of acquisition costs and exploration expenditures relating to the Gran Cabrera Prospect. Formal notification of termination of the agreement was made by the Company in March 2005.

c) Jimenez del Teul, Mexico

On June 3, 2004, the Company entered into an option agreement to earn a 100% interest in mineral claims covering 1,795 hectares, located at the west-central side of Zacatecas State, Mexico. Under the terms of the agreement, the Company may earn a 100 % interest in the claims, by assuming the optionor's obligations to the underlying property owners for a total of US \$1.75 million and issuing a total of 1 million common shares (200,000 shares issued) to the optionor, over a three year period.

During the 2004 fiscal year the Company determined to withdraw from the option agreement and wrote-off \$654,486 of acquisition costs and exploration expenditures relating to the Jimenez del Teul Prspects. Formal notification of termination of the agreement was made by the Company in January 2005.

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

4. MINERAL RESOURCE INTERESTS (continued)

d) San Jorge

By agreement dated August 16, 2004, the Company purchased two mineral concessions, covering approximately 3,919 hectares, located in Zacatecas State, Mexico. Under the purchase agreement the Company paid \$58,755 and issued 60,000 common shares of the Company, at a fair value of \$1.10 per share.

e) Tinka, Peru

On May 31, 2002, the Company entered into an agreement whereby the Company acquired an option to earn a 100% interest in two mineral claims in Ica, Peru, in consideration of the issuance of 750,000 common shares (250,000 shares issued) of the Company over two years, payment of US \$7,500 for past property taxes (paid) payment of ongoing property holding costs and completion of a drill program. The Company subsequently entered into an agreement (the "Tinka HOA") with Tinka Resources Limited ("Tinka Resources"), whereby the Company granted Tinka Resources an option to earn a 70% interest in the option on the property. Under the Tinka HOA, Tinka Resources had agreed to assume the Company's share issuance obligations to the vendor, through the issuance of a total of 500,000 common shares of Tinka Resources and conducting exploration expenditures and making all property holding costs totalling US \$2.5 million, over a three year period. During the 2004 fiscal year, Tinka Resources notified the Company that it had determined to terminate the Tinka HOA. As a result, the Company reviewed its exploration budgets for the ensuing year and has also determined to terminate the original option agreement and, accordingly, wrote-off \$92,564 of acquisition costs and related exploration expenditures.

Certain officers and directors of the Company are also directors and officers of Tinka Resources, a public company.

f) See also Note 11.

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

5. SHARE CAPITAL

Authorized: unlimited common shares with no par value (2003 - 100,000,000 common shares)

Issued or allotted:	2004		2003	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of year	14,451,200	5,529,478	6,824,000	1,218,726
Issued during the year				
For cash				
- private placements	-	-	5,442,500	3,816,000
- exercise of options	158,000	72,600	218,000	41,340
- exercise of warrants	2,951,860	1,555,393	1,613,000	543,620
For agent's and finder's fees	-	-	153,700	120,698
For mineral properties	810,000	876,500	200,000	136,000
Reallocation from contributed surplus on exercise of options	-	36,790	-	2,031
	3,919,860	2,541,283	7,627,200	4,659,689
Less: share issue costs	-	-	-	(348,937)
	3,919,860	2,541,283	7,627,200	4,310,752
Balance, end of year	18,371,060	8,070,761	14,451,200	5,529,478

(a) Stock Options

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange.

During the 2004 fiscal year, the Company granted 763,000 (2003 - 440,000) stock options to the Company's employees, directors and consultants and recorded compensation expense of \$417,441 (2003 - \$262,995).

The fair value of stock options granted to employees, directors and consultants is estimated on the dates of grants using the Black-Scholes option pricing model with the following assumptions used for the grants made during the 2004 and 2003 fiscal years:

	2004	2003
Risk-free interest rate	1.18% - 2.89%	2.75%
Estimated volatility	73% - 86 %	101% - 104 %
Expected life	1.5 years	1.5 years
Expected dividend yield	0%	0%

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

5. SHARE CAPITAL (continued)

The fair value per share of stock options, calculated using the Black-Scholes option pricing model, granted during the year to the Company's employees, directors and consultants was \$0.55 (2003 - \$0.60) per share.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

A summary of the Company's outstanding stock options at December 31, 2004 and 2003 and the changes for the years ending on those dates is as follows:

	<u>2004</u>		<u>2003</u>	
	Options Outstanding	Weighted Average Exercise Price \$	Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	898,400	0.47	681,400	0.33
Granted	763,000	1.05	440,000	0.55
Exercised	(158,000)	0.46	(218,000)	0.19
Cancelled / expired	<u>(230,000)</u>	0.53	<u>(5,000)</u>	0.57
Balance, end of year	<u>1,273,400</u>	0.81	<u>898,400</u>	0.47

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2004:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
171,000	171,000	0.23	July 15, 2005
59,400	59,400	0.52	December 05, 2005
80,000	80,000	0.55	December 19, 2005
200,000	200,000	0.57	January 14, 2006
355,000	355,000	1.16	January 19, 2007
50,000	50,000	1.14	January 30, 2007
238,000	213,000	0.84	July 05, 2007
100,000	25,000	1.10	August 13, 2007
<u>20,000</u>	<u>20,000</u>	0.87	October 14, 2007
<u>1,273,400</u>	<u>1,173,400</u>		

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

5. SHARE CAPITAL (continued)

(b) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at December 31, 2004 and 2003 and the changes for the years ending on those dates is as follows:

	2004	2003
Balance, beginning of year	6,870,500	2,521,000
Issued pursuant to private placements	-	5,962,500
Exercised	<u>(2,951,860)</u>	<u>(1,613,000)</u>
Balance, end of year	<u><u>3,918,640</u></u>	<u><u>6,870,500</u></u>

The following table summarizes information about the warrants outstanding and exercisable at December 31, 2004:

Exercise Price \$	Number	Expiry Date
1.15	478,000	March 04, 2005
1.35	687,500	June 19, 2005
1.35	<u>2,753,140</u>	June 23, 2005
	<u><u>3,918,640</u></u>	

6. INCOME TAXES

Future income tax assets and liabilities of the Company as at December 31, 2004 and 2003 are as follows:

	2004 \$	2003 \$
Future income tax assets (liabilities)		
Losses carried forward	649,000	813,000
Share issue costs	75,000	110,000
Mineral resource interests	<u>(234,000)</u>	<u>(558,000)</u>
	490,000	365,000
Valuation allowance	<u>(490,000)</u>	<u>(365,000)</u>
Net future income tax asset	<u><u>-</u></u>	<u><u>-</u></u>

TUMI RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

6. INCOME TAXES (continued)

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2004 \$	2003 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>35.6%</u>	<u>37.6%</u>
Expected income tax recovery	(824,200)	(262,500)
Foreign income tax rate differences	37,000	23,000
Deductible mineral resource interests cost additions	(464,400)	(275,600)
Other	61,100	12,000
Non-deductible stock-based compensation	148,600	75,400
Write-off of mineral resource interests	343,800	-
Unrecognized benefit of income tax losses	<u>698,100</u>	<u>427,700</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

As at December 31, 2004, the Company has accumulated non-capital losses and accumulated resource pools for Canadian income tax purposes of approximately \$1.1 million, expiring from 2007 to 2014, and for Mexican income tax purposes of approximately US \$1.4 million, which are available for application against future taxable income, the related benefits of which have not been recognized in these financial statements.

7. RELATED PARTY TRANSACTION

During the 2004 fiscal year, the Company incurred \$115,030 (2003 - \$107,895) for rent, accounting, administration, consulting and management services provided by the President of the Company and by corporations controlled by a director of the Company. As at December 31, 2004, \$5,153 (2003 - \$48,404) remained outstanding for past fees and disbursements and has been included in accounts payable and accrued liabilities.

See also Note 4(e).

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8. SEGMENTED INFORMATION

During the 2004 and 2003 fiscal years, the Company was involved in mineral exploration and development activities in Mexico and Peru. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results during the 2004 and 2003 fiscal years.

The Company's total assets are segmented geographically as follows:

	2004			
	Canada \$	Peru \$	Mexico \$	Total \$
Current assets	2,211,488	-	107,904	2,319,392
Property and equipment	15,206	132,840	27,823	175,869
Mineral resource interests	-	-	2,954,918	2,954,918
	<u>2,226,694</u>	<u>132,840</u>	<u>3,090,645</u>	<u>5,450,179</u>
	2003			
	Canada \$	Peru \$	Mexico \$	Total \$
Current assets	3,266,701	578	78,025	3,345,304
Property and equipment	-	-	11,476	11,476
Mineral resource interests	-	92,564	1,472,373	1,564,937
	<u>3,266,701</u>	<u>93,142</u>	<u>1,561,874</u>	<u>4,921,717</u>

9. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing and financing activities were conducted by the Company as follows:

	2004 \$	2003 \$
Investing activity		
Expenditures on mineral properties	<u>(876,500)</u>	<u>(136,000)</u>
Financing activities		
Shares issued for mineral properties	876,500	136,000
Shares issued for finder's fee	-	120,698
Share issue costs	-	(120,698)
Shares issued on exercise of options	36,790	2,031
Contributed surplus	<u>(36,790)</u>	<u>(2,031)</u>
	<u>876,500</u>	<u>136,000</u>

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9. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

Other supplementary cash flow information:

	2004 \$	2003 \$
Interest paid in cash	-	-
Income taxes paid in cash	-	-

10. FINANCIAL INSTRUMENTS

a) Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk are cash and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash-equivalents with high credit quality financial institutions.

b) Fair value of financial instruments

The fair value of the Company's financial instruments consisting of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their carrying values.

11. SUBSEQUENT EVENT

Effective January 19, 2005, the Company acquired the right to acquire 100% interests in the La Trini and Mololoa mineral claims. The claims total 356 hectares and are located in the Jalisco silver belt approximately 100 kilometres northwest of Guadalajara, Jalisco State, Mexico. In order to acquire its 100% interest, the Company must make payments totalling US \$500,000 over a two year term, with the initial payment being US \$100,000 (paid).