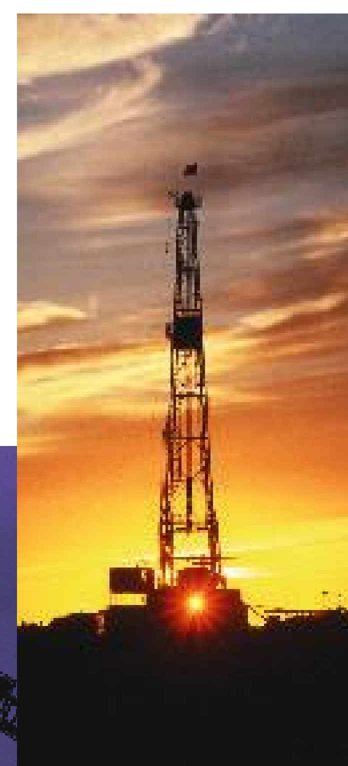
2004 ANNUAL REPORT

MART RESOURCES INC.



THE COMPANY

Mart Resources Inc. is an international energy company committed to building substantial shareholder value by acquiring, financing and developing oil and gas related assets in West Africa. In so doing, the company will become strategically positioned to capitalize on future expansion in this resource-rich region.

Mart Resources trades on the TSX Venture Exchange under the symbol MMT.

2004 was a terrific year for Mart, and 2005 looks like it will be even more exciting.

Therefore it is with great pleasure that I submit to you on behalf of the Board of Directors of Mart Resources, Inc. the Company's Annual Report for the year ended December 31, 2004.

In Nigeria local knowledge, technical expertise, and perseverance have paid off as the Company has signed agreements giving Mart the right to participate with certain indigenous companies in the development of three proven but undeveloped oil fields in the Niger Delta region under a program recently enacted by the Nigerian government. These oil fields (Eremor, Qua Ibo and Umusadage) are located in close proximity to existing production facilities and export pipelines, and provide Mart a unique opportunity to quickly develop a strong production base providing substantial cash flow. The Company is currently in the process of finalizing similar arrangements with selected indigenous companies for other proven fields allocated under this program. (For a detailed discussion of Mart's proven, undeveloped Niger Delta oil fields, please refer to the Operations section of this report.)

In 2004 Mart successfully completed two private placement financings for gross proceeds of $11,125,000, and raised over $1.5 million as a result of the exercise of share purchase warrants and stock options. The proceeds from these financings provided Mart with funds to conduct negotiations related to the Niger Delta oil fields, to finalize agreements and to pay up-front costs associated with participation in these fields. Mart recently announced an additional financing for over $9.5 million, a substantial portion of which will be used to cover the initial testing and development costs for these oil fields.

To meet the many challenges associated with the rapid expansion of the Company, Mart recently announced the appointments of David Parker as President of the Company and David J. Halpin as CFO and Secretary. Mr. Parker is responsible for Mart's day-to-day operational activities and Mr. Halpin is in charge of financial, administrative, compliance and reporting functions. I am happy to welcome them as strong additions to our management team. We will continue to add key staff to our team over the next year to ensure success in the Company's increased operational activities.

In keeping with Mart's expansionary goals, the Company will be making application to have its common shares admitted for trading on the Alternative Investment Market of the London Stock Exchange (AIM). Mart will evaluate and actively pursue various financing options to fund participation in the Company's existing and future projects as required.

Elsewhere, Mart is in the process of negotiating a 70% participating interest in a production sharing agreement for the Rendus Block, a highly potential oil block located onshore in the western coastal region of the Democratic Republic of Congo.

2004 was a rewarding year for Mart and its shareholders. The Company established a strong resource base with imminent and substantial cash flow potential. I am confident that further substantial shareholder value will be added in 2005 as Mart develops and expands on these assets.

I would like to thank our shareholders, officers and directors for their continued support.

On Behalf of the Board of Directors

'signed' Wade G. Cherwayko
CEO & Director
April 29, 2005

NIGERIAN OPERATIONS

Mart has been evaluating opportunities and entering into partnership agreements to participate in proven but undeveloped oil and gas fields in Nigeria under the Nigerian Marginal Field Allocation Program. Under the Program, which was introduced by Nigerian government decree in 1996, a total of 116 proven but undeveloped fields were designated as "marginal", meaning that the fields were believed to hold commercial quantities of hydrocarbons but were considered to be too small to be commercially exploitable by multinational oil companies under the existing fiscal regime. Under the Program, the allocation of marginal fields can only be made to indigenous Nigerian companies, who are at liberty to bring in financial and technical partners to exploit these opportunities.

In 2001, the Nigerian government put on offer 24 marginal fields in the first bidding round. These fields, which published reports indicated may hold an estimated 2 billion barrels of oil, were held by NNPC, the Nigerian state oil company and a number of multinational oil companies. In order to improve the economics of these proven fields and encourage indigenous participation, the government granted a number of fiscal incentives under the Program including lower "sliding scale royalties" and substantially reduced taxes. In February 2003, after a pre-qualification and tender process over the two previous years, an allocation of 24 fields to indigenous Nigerian companies was completed under the Program.

Between February 2003 and December 2003, the formal farm-out framework for the marginal fields was negotiated and completed between the Federal Government of Nigeria, NNPC, several multinational oil companies and representatives of the indigenous companies. In December 2003, the marginal field Program took a significant step forward as the first of many farm-out agreements was signed granting rights to the indigenous companies to develop and produce the proven, undeveloped oil and gas fields.

Umusadage

In June 2004 Mart entered into a Letter of Intent (LOI) with Midwestern Oil and Gas Ltd. that grants Mart the right to participate in the development of the Umusadage Field, Nigeria. The Umusadage Field is an onshore oil and gas field located in Nigeria's Niger Delta region that had recently been awarded to Midwestern under the Nigerian Government's marginal field program. Three wells were drilled and cased in the Umusadage Field between 1974 and 1980. The N2 well, which was the only well tested, flowed 2,654 barrels of oil per day. Under the terms of the LOI with Midwestern, Mart shall be responsible for paying 100% of the costs required for joint operations on the Umusadage Field. In return, Mart shall be entitled to receive an allocation of crude oil and natural gas produced from the field under a production sharing arrangement with Midwestern. Mart's right to participate in the Umusadage Field is subject to the execution of a formal agreement.

Eremor

In October 2004, Mart announced the signing of a formal agreement with Excel Exploration & Production Company Limited that grants Mart the right to participate in the development of the Eremor Oil Field in Nigeria with Excel. The Eremor Oil Field is located in Nigeria's Niger Delta region and was awarded to Excel under the Nigerian Government's marginal field allocation program. The Eremor Oil Field is located in close proximity to existing production facilities and export pipelines, and provides a unique opportunity to develop a low risk, proven field that can generate substantial cash flow for Mart in the near term. The Field was discovered in 1978 by the Eremor #1 well, which encountered oil pay in a thick sandstone reservoir at a depth of 5,744 feet. The Field was successfully appraised by a confirmation well in 1984, which penetrated the same oil-bearing sandstone reservoir as the Eremor #1 well. Both wells also drilled through a separate shallower sandstone reservoir containing light oil or condensate and gas at a depth of 5,469 feet.

In March 2005 Mart and its Nigerian partner, Excel Exploration & Production Company, announced finalization of an agreement for a rig service contract with Tecon Oil Services Ltd., an indigenous Nigerian company. The contract is for the services of a work-over rig to be used for the re-entry, testing and possible completion of the Eremor #1 well. Work on the Eremor #1 well is scheduled to begin in May 2005. After the re-entry and testing of the well, field development drilling and production facility design and installation will commence.

Qua Ibo

In December 2004 Mart signed a Memorandum of Understanding with Network Exploration & Production Nigeria Limited, which led to signing of a formal agreement between the companies in March 2005. The formal agreement grants Mart the right to participate with Network in the development of the Qua Ibo Oil Field in Nigeria. The Qua Ibo Oil Field is located onshore in Nigeria's Niger Delta region and was awarded to Network under the Nigerian Government's marginal field allocation program. The Qua Ibo Field was discovered in 1960 by the Qua Ibo-1 well, which encountered oil pay in sandstone reservoirs at depths of 3,600 feet and 7,000 feet. Field confirmation was provided by the Qua Ibo-2 well drilled in 1971, which penetrated the same oil-bearing reservoirs. The Qua Ibo Field has substantial hydrocarbon reserve potential as evaluated from well and seismic data.

Mart and Network have completed a detailed technical evaluation of the Qua Ibo Field. Early development operations could include re-entry and testing of the suspended Qua Ibo-2 well. The field is located within two kilometers of ExxonMobil's Qua Ibo processing and export terminal.

Mart is currently in the process of finalizing additional evaluations and agreements for technical and financial service arrangements with selected indigenous companies that have been awarded the farm-in rights to a number of other marginal fields. In each case, the proven fields' reserves are located in close proximity to existing infrastructure, allowing for short development times and early projected cash flow generation.

Mart believes that significant technical upside potential exists in the fields, as the majority of the wells were drilled in the 1970's and 1980's on the basis of 2D seismic. The fields that Mart expects to participate in are covered by modern 3D seismic.

This discussion and analysis contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Mart Resources, Inc. The projections, estimates, and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the MD&A as at and for the years ended December 31, 2004 and 2003, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

The following discussion should be read in conjunction with the December 31, 2004 audited Consolidated Financial Statements included in Schedule A and the notes thereto. The 2004 Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and all amounts shown in the statements and other supplementary reports are stated in Canadian dollars unless otherwise specified.

Outlook

Mart Resources, Inc. is focused on maximizing the value of its petroleum properties by evaluating, negotiating and participating in the development of proven but undeveloped oil and gas fields in Nigeria under the Nigerian Marginal Field Allocation Program. Mart is also negotiating participating interests in exploration opportunities in the Democratic Republic of Congo and in power project opportunities in Nigeria and Benin Republic.

2004 Results

The net loss for the year ended December 31, 2004 was $3,803,474, compared to a net loss of $656,784 in 2003. A significant portion of the 2004 loss was attributable to a $2,006,628 write down of the company's offshore Nigeria capitalized asset. Amounts capitalized to Oil Prospecting License 310 (OPL310) were written off as a result of the expiry of the license, and the cost to renew the license as prohibitive. There was also a $395,850 write-down of certain costs capitalized to the Democratic Republic of Congo property related to activities undertaken in prior years. Renewed efforts are currently underway to secure a new permit for the properties in the Democratic Republic of Congo, and it is expected that there will be substantial progress and activity in the area in 2005. A significant portion of the 2003 loss was attributable to a $265,512 write down of the company's seismic data asset in Canada.

The Company has had no commercial revenues in 2004, and had interest revenue of $31,497 on GICs held in 2004. Expenses for the year totalled $1,432,493 (2003: $391,272). The largest change that contributed to the increase in expenses in 2004 as compared to 2003 was the inclusion of Stock compensation expense of $977,692 (68% of total expenses in 2004) based upon the Black-Scholes option pricing model, which is used to estimate the fair value of options issued at the date of grant. During 2004 here were 3,500,000 stock options granted, and the fair value of the expense recognized by the Company for this issuance was calculated by applying a model using interest rates, expected volatility of the share price, and the life of the options (for further details please see Note 8. of the December 31, 2004 Consolidated Financial Statements). The offsetting amount for this calculated expense is reflected as an equivalent increase in Contributed surplus on the Consolidated Balance Sheet.

The majority of the remaining expenses in 2004 totalled $454,801, an increase in total comparable expenses compared to 2003 of $63,529 (an increase of 16%). Remaining expenses were composed of General and administrative costs of $172,481 (38% of total costs other than Stock compensation), Stock exchange and transfer agent fees of $142,236 (31%), and Consulting fees of $96,279 (21%). General and administrative costs increased by $68,659 over 2003 (a 66% increase) due to generally increased activity resulting in higher expenditures on investor relations activities and office costs. Stock exchange and transfer agent fees had a large increase (up $127,167 over 2003) due to costs directly related to preparations required to arrange for any future application that may be made by Mart to have its shares admitted to the Alternative Investment Market of the London Stock Exchange ("AIM"). Consulting fees decreased by $45,678 (down 32% compared to 2003) because a greater portion of these costs were capitalized during 2004. Professional fees made up 8% of remaining total costs and were up $9,134 compared to 2003 as a result of higher legal fees associated with the increased activity negotiating agreements. Amortization expense for 2004 was $5,626, which was double that in 2003 because of office equipment additions.

Current Assets and Liabilities

As at December 31, 2004, Mart's Cash and Term Deposits totaled $7,902,830, as compared to $26,854 on December 31, 2003. The increase in Cash is attributable to funds raised through private placement financings completed in January 2004 and December 2004, and to exercise of share purchase warrants and stock options of the Company. A gross total of $11,125,000 was raised through the issuance of common shares in the two private placements, with share issuance costs totaling $899,635. The Company also received $1,355,498 in 2004 for the exercise of 9,036,651 share purchase warrants at an exercise price of $0.15 per warrant. An additional $229,500 was deposited during the year for the exercise of 1,350,000 stock options with an exercise price of $0.17 per option. Term deposits consist of Guaranteed Investment Certificates with the Royal Bank of Canada that are redeemable on demand, and funds not required for current operations are held in these deposits.

Accounts receivable at year end 2004 were $9,455 and consist of outstanding GST refunds claimed. Prepaid expenses and deposits were $104,129 and were made up of prepaid rent, travel advances and security deposits. Property and equipment increased by a net amount of $4,539 between 2003 and 2004 because of purchases of computers and software.

Accounts payable increased by $558,067 to $594,233 during 2004 due to increases in short-term amounts owing for work being done to assess, prepare and test the Nigerian marginal fields, work being performed by various consultants and for general operating costs. The amount due to related parties as at December 31, 2004 was $118, a decrease of $239,383 since 2003 year end, attributable to amounts paid that had previously been owing for consulting fees, costs related to Mart's London office, and other expenses related directly to the Nigerian properties. Advances payable were reduced by $35,789 during 2004 by payments of amounts previously owed to a related party, and the remaining balance of $13,187 at the end of 2004 was paid in February 2005.

Other related party transactions during 2004 included consulting fees of $155,664 (2003 - $141,957) paid to directors and shareholders of the Company and reimbursement of expenses totaling $265,641 (2003 - $247,366) with respect to expenditures paid on behalf of Mart by its directors and shareholders. These transactions took place in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Petroleum Properties Interests

Nigeria

Mart has a formal agreement with Excel Exploration & Production Company Limited ("Excel") a company organized and existing under the laws of Nigeria that grants Mart the right to participate with Excel in the development of the Eremor Oil Field in Nigeria. The Eremor Oil Field is located in Nigeria's Niger Delta region and was awarded to Excel under the Nigerian Government's marginal field allocation program. Fields allocated under this program have been delineated by prior drilling activity and supported by seismic analysis, but remain undeveloped. Under the terms of the formal agreement between Mart and Excel, Mart will contribute to the development of the Eremor oil field by providing funding, operational and technical assistance in exchange for an allocation of any hydrocarbons discovered and produced from the field. Mart will receive its share of production on a sliding scale, beginning with an accelerated repayment of costs contributed to the project and moving on a stepped down schedule as based upon aggregate production volume. Mart is also continuing the process of finalizing evaluations and agreements for technical and financial service arrangements with additional selected indigenous companies that have been awarded the farm-in rights to a number of other onshore oil and gas fields awarded under the Nigerian Marginal Field Program, and continues to pursue arrangements to develop other properties and projects in West Africa.

The Company capitalized $3,295,893 of costs related to these properties in 2004 ($241,214 capitalized in 2003). The amounts capitalized primarily related to evaluation and preparation of the Eremor oil field and analysis of and negotiation for other properties under the Nigerian Marginal Field Allocation Program. It is anticipated that the initial re-entry and testing of the Eremor #1 well will be completed in the 2nd quarter of 2005. Once the re-entry and testing is completed, development drilling and production facility design and installation will commence as soon as the flow results are evaluated. Testing and development of the Eremor oil field and other similar projects in Nigeria will remain the focus and primary investment of Mart's available resources in 2005.

Democratic Republic of Congo

The Company is in the process of negotiating a 70% participating interest in a production sharing agreement for the Rendus Block, a high potential oil block located onshore in the western coastal region of the Democratic Republic of Congo. The Company capitalized $382,328 of costs incurred forthis project in 2004 ($40,302 capitalized in 2003).

Selected Annual Information

Selected data from Mart's financial statements for the three most recently completed financial years are as follows:

For the Year Ended:	*December 31, 2004*	*December 31, 2003*	*December 31, 2002*
Total Revenues	$ 31,497	$ -	$ 514
Loss from Operations	(1,400,996)	(391,272)	(209,299)
Operations Loss / share	(0.022)	(0.013)	(0.007)
Net Loss	(3,803,474)	(656,784)	(1,358,142)
Net Loss / share	(0.061)	(0.022)	(0.047)
Total Assets	11,679,849	2,412,373	2,505,671
Long-Term Liabilities	(13,187)	(48,976)	(43,476)

The Net Loss in 2004 includes a $2,402,478 Property impairment write down booked during 2004 relating to the impairment of capitalized costs incurred for the offshore Nigeria property and a Democratic Republic of Congo property. Net Loss in 2003 includes a $265,512 Property Impairment Write Down booked at 2003 year end relating to the impairment of capitalized costs incurred for an Alberta seismic project. Long-term liabilities consist of an advance payable due to a prior director, who is also a shareholder of the Company, and is non-interest bearing and unsecured.

Liquidity

Until Mart's projects are developed to the point at which the Company has cash flow, Mart's ability to generate sufficient cash in the short term is dependent upon the Company's ability to raise funds through equity issues and/ or debt financing. Mart's ability to raise funds in public capital markets could potentially be affected by changes in the prices of resource commodities and/or general market conditions.

Fourth Quarter Results

Mart Resources, Inc. had a net loss for the quarter ended December 31, 2004 of ($3,466,655), compared to a net loss of ($540,219) for the same period in 2003. Property impairment write downs accounted for ($2,402,478) of the loss in Q4 2004 and ($265,512) of the loss in Q4 2003. Mart had no commercial revenues or operations in Q4 2004, with interest earned on GIC investments accounting for revenue of $23,054 for the quarter. Operating expenses for the quarter ended December 31, 2004 totaled $1,061,887 (2003: $391,272). The largest operating expense booked in the 4th quarter was calculated Stock compensation expense of $977,692, making up 92% of the expenses. The remaining operating expenses totaled $84,195 for the quarter and were made up of Consulting Fees of $34,494 (41% of remaining operating costs), General and administrative costs of $29,418 (35%), and Stock exchange and transfer agent fees of $10,363 (12%). Professional fees of $7,630 and amortization expense of $2,290 composed the final costs incurred in Q4 2004.

The Company's recent quarterly results are summarized below:

	Q4/04	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03
Gross Revenue	$ 23,054	$ 4,912	$ 3,531	$ -	$ -	$ -	$ -	$ -
Net Earnings/(Loss)	(3,466,655)	(174,449)	(122,150)	(40,220)	(540,219)	(31,759)	(37,169)	(47,637)
Basic Per Share	(0.055)	(0.003)	(0.002)	(0.001)	(0.018)	(0.001)	(0.001)	(0.002)

Net Loss in Q4 2003 includes a $265,512 Property Impairment Write Down booked at 2003 year end relating to the impairment of capitalized costs incurred for an Alberta seismic project.

Mart is continuing the process of finalizing evaluations and agreements for technical and financial service arrangements with additional selected indigenous companies that have been awarded the farm-in rights to a number of onshore oil and gas fields awarded under the Nigerian Marginal Field Program, and continues to pursue arrangements to develop other properties and projects in West Africa, and capitalized $704,937 of costs related to these properties in the third quarter of 2004 ($109,541 capitalized through comparable Q3 2003). Petroleum Property Interests increased by $704,937 to $3,769,532 during the third quarter of 2004 as a result of amounts capitalized relating to analysis of and negotiation for properties under the Nigerian Marginal Field Allocation Program, as well as capitalized costs incurred for maintenance of current interests held in other properties.

Subsequent Events

Formal Agreement to Participate in Development of the Qua Ibo Field in Nigeria

On March 31, 2005 Mart announced the signing of a formal agreement with Network Exploration & Production Nigeria Limited that grants Mart the right to participate with Network in the development of the Qua Ibo Oil Field in Nigeria. The Qua Ibo Oil Field is located onshore in Nigeria's Niger Delta region and was awarded to Network under the Nigerian Government's marginal field allocation program. Fields allocated under this program contain significant proven reserves determined by previous drilling, but remain undeveloped. This is the second field under this program that Mart has finalized a contract to participate in its development.

The Qua Ibo Field was discovered in 1960 by the Qua Ibo-1 well, which encountered oil pay in sandstone reservoirs at depths of 3,600 feet and 7,000 feet. Field confirmation was provided by the Qua Ibo-2 well drilled in 1971, which penetrated the same oil-bearing reservoirs. The Qua Ibo Field has significant hydrocarbon reserve potential as evaluated from well and seismic data.

Mart and Network have completed a detailed technical evaluation of the Qua Ibo Field. Early development operations could include re-entry and testing of the suspended Qua Ibo-2 well. The field is located within two kilometers of ExxonMobil's Qua Ibo processing and export terminal.

Other Documents Available on SEDAR

Additional information relating to Mart Resources, Inc., including the Company's Annual Information Form, Annual Reports, previous Quarterly Reports, Press Releases, etc. is available on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Mart Resources Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidatedfinancial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods,and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them;their report follows. The external auditors have full and free access to the Audit Committee and management to discuss their audit findings.

"signed"	"signed"
Wade Cherwayko	David J.Halpin
Chief Executive Officer	Chief Financial Officer
April 20,2005	

AUDITORS' REPORT

To the Shareholders of Mart Resources Inc.:

We have audited the consolidated balance sheet of Mart Resources Inc.as at December 31, 2004 and the consolidated statements of loss 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit includes examining,on a test basis,evidence supporting the amounts and disclosures in the consolidated 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 the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended December 31,2003 were audited by other auditors, who expressed an unqualified opinion in their report dated May 14, 2004.

Meyers Norris Penny LLP

Chartered Accountants

Calgary, Alberta
April 20, 2005

CONSOLIDATED BALANCE SHEET

As at December 31, 2004

	2004	*2003*
ASSETS		
Current		
Cash	**7,902,830**	26,854
Accounts receivable	**9,455**	2,366
Prepaid expenses and deposits	**104,129**	-
	8,016,414	29,220
Property and equipment *(Note 4)*	**17,311**	12,772
Petroleum property interests *(Note 5)*	**3,646,124**	2,370,381
	11,679,849	2,412,373
LIABILITIES		
Current		
Accounts payable and accruals	**594,233**	36,166
Due to related parties *(Note 10)*	**118**	239,501
	594,351	275,667
Advances payable *(Note 6)*	**13,187**	48,976
	607,538	324,643
Continuing operations *(Note 2)*		
Subsequent events *(Note 12)*		
SHAREHOLDERS' EQUITY		
Share capital *(Note 8)*	**20,896,789**	9,086,426
Contributed surplus *(Note 7)*	**1,351,150**	373,458
Deficit	**(11,175,628)**	(7,372,154)
	11,072,311	2,087,730
	11,679,849	2,412,373

Approved on behalf of the Board

"signed"Robert J.Leslie
Director

"signed"William Cherwayko
Director

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

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

For the year ended December 31, 2004

	2004	2003
Revenue		
Interest	**31,497**	-
Expenses		
Stock compensation expense *(Note 8)*	**977,692**	-
General and administrative	**172,481**	103,912
Stock exchange and transfer agent fees	**142,236**	15,069
Consulting	**96,279**	141,957
Professional fees	**38,179**	29,045
Amortization	**5,626**	2,736
Write down of joint venture receivable	**-**	98,553
	1,432,493	391,272
Loss from operations	**(1,400,996)**	(391,272)
Property impairment write down *(Note 5)*	**(2,402,478)**	(265,512)
Net loss	**(3,803,474)**	(656,784)
Deficit,beginning of year	**(7,372,154)**	(6,715,370)
Deficit,end of year	**(11,175,628)**	(7,372,154)
Loss per share		
Basic	**(0.061)**	(0.022)
Weighted average number of common shares		
Basic	**62,720,528**	29,969,017

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2004

	2004	2003
Cash provided by (used for) the following activities		
Operating activities		
Net loss	**(3,803,474)**	(656,784)
Amortization	**5,626**	2,736
Writedown of joint venture receivables	**-**	98,553
Property impairment writedown	**2,402,478**	265,512
Stock compensation expense	**977,692**	-
	(417,678)	(289,983)
Changes in working capital accounts		
Accounts receivable	**(7,089)**	(106)
Prepaid expenses and deposits	**(104,129)**	-
Accounts payable and accruals	**558,065**	(686)
	29,169	(290,775)
Financing activities		
Issue of common shares	**12,709,998**	655,000
Share issue costs	**(899,635)**	(72,109)
Repayments of advances payable	**(35,789)**	5,500
Repayments of due to related parties	**(239,383)**	20,089
	11,535,191	608,480
Investing activities		
Additions to property and equipment	**(10,164)**	(12,152)
Purchases of petroleum property interests	**(3,678,220)**	(281,516)
	(3,688,384)	(293,668)
Increase in cash resources	**7,875,976**	24,037
Cash resources,beginning of year	**26,854**	2,817
Cash resources,end of year	**7,902,830**	26,854

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

1. NATURE OF OPERATIONS

Mart Resources Inc.("the Company"or "Mart")is an international oil and gas exploration and development company, incorporated in Alberta on November 7,1994, with major oil field development projects in Nigeria and operations in the Democratic Republic of Congo.

2. CONTINUING OPERATIONS

The Company's oil and gas interests are in the pre-production stage. Accordingly,the recoverability of amounts recorded as Petroleum property interests is dependent upon the existence and discovery of economically recoverable oil and gas reserves,the political stability of the countries in which it operates,and the ability of the Company to obtain suitable joint venture partners to complete the development of the interests that are not already part of existing joint ventures,and the Company's ability to attain future profitable production.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 704922 Alberta Ltd., Collier Ventures Limited,a company incorporated in the Isle of Man, and Interbasin Resources Inc., a company incorporated in the Bahamas.

Cash

Cash includes bank deposits,funds held in trust and term deposits with maturities of three months or less.

Petroleum property interests

The Company follows the full cost method of accounting for petroleum operations whereby all costs of exploring for and developing petroleum reserves are capitalized into a cost centre for each country in which the Company or its subsidiaries have operations. The Company's oil and gas activities are regarded to be in the preproduction stage as exploration and development work continues and planned principal operations have not commenced. Accordingly, all costs incurred in these cost centres have been capitalized and will commence to be amortized once commercial production levels have been attained or written-off if permanent impairment in value has been determined. Minor revenues are offset against capitalized costs until commercial production has commenced.

Interest in joint venture

Some of the Company's oil and gas exploration,development and production activities are conducted jointly with others, and accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

Property and equipment

Property and equipment are initially recorded at cost. Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	*Rate*
Computer equipment	declining balance	30%
Computer software	straight-line	5 years
Machinery, equipment, furniture, and fixtures	declining balance	20%
Leaseholds	straight-line	5 years

Asset retirement obligations

Effective January 1, 2004 the Company retroactively adopted the new Canadian accounting standard with respect to asset retirement obligations. Under the new standard,legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depreciation,depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

As at December 31, 2004 and 2003, the Company has not incurred any obligations relating to asset retirement and, accordingly, has not recorded a liability.

Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year.

The Company follows the treasury method of calculating diluted earnings per share. The method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets,such as petroleum property interests,and liability and disclosure of contingent assets and liabilities at the date of the financial statements,and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of foreign currencies

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Translation gains and losses are included in current earnings.

Income taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition,the future benefits of income tax assets,including unused tax losses,are recognized,subject to a valuation allowance,to the extent that it is more likely than not thatsuch future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Stock-based compensation

The Company accounts for its grants under such stock based plans using the fair value method and the compensation expense is amortized over the vesting period of the options. Prior to January 1, 2003 no compensation was recognized for options granted to employees and directors.

4. PROPERTY AND EQUIPMENT

	Cost	*Accumulated amortization*	*2004 Net book value*	*2003 Net book value*
Computer equipment	16,803	8,609	8,194	2,199
Computer software	2,306	1,647	659	-
Machinery, equipment, furniture, and fixtures	16,262	7,804	8,458	10,573
Leaseholds	13,800	13,800	-	-
	49,171	31,860	17,311	12,772

5. PETROLEUM PROPERTY INTERESTS

	2004		*2003*	
	Congo	***Nigeria***	*Congo*	*Nigeria*
Balance, beginning of year	**$395,850**	**$1,974,531**	$355,548	$1,733,317
Costs incurred during year	**382,328**	**3,295,893**	40,302	241,214
Impairment write down	**(395,850)**	**(2,006,628)**	-	-
	$382,328	**$3,263,796**	$395,850	$1,974,531
	$3,646,124		$2,370,381	

NIGERIA - MARGINAL FIELD PROJECTS

Eremor Oil Field

In, October 2004, Mart signed a formal agreement with Excel Exploration & Production Company Limited ("Excel") a company organized and existing under the laws of Nigeria, that grants Mart the right to participate with Excel in the development of the Eremor Oil Field in Nigeria.The Eremor Oil Field is located in Nigeria's Niger Delta region and was awarded to Excel under the Nigerian Government's marginal field allocation program. Fields allocated under this program have been delineated by prior drilling activity and supported by seismic analysis, but remain undeveloped.

Under the terms of the formal agreement between Mart and Excel, Mart will contribute to the development of the Eremor oil field by providing funding, operational and technical assistance in exchange for an allocation of hydrocarbons discovered and produced from the field. Mart will receive its share of production on a sliding scale,beginning with an accelerated repayment of costs contributed to the project and moving on a stepped down schedule based upon aggregate production volume.

Nigeria - Oil Prospecting License 310

The Company held a 100%working interest in Oil Prospecting License 310 (OPL 310), located offshore of Nigeria, pursuant to a joint venture agreement between Interbasin Resources Inc., a wholly-owned subsidiary of the Company, and Optimum Petroleum Development Limited, a company organized and existing under the laws of Nigeria. The license expired in 2004, and the cost to renew the license was deemed to be prohibitive. The capitalized amount related to this property was therefore, written off.

Rendus Concession - Democratic Republic of Congo

The Company is in the process of negotiating a 70%working interest in a production sharing agreement for the Rendus Block, a hydrocarbons prospecting and mining concession block located onshore in the western coastal region of the Democratic Republic of Congo. Application is being made to renew the license and establish a new protocol for the Rendus Block to be signed between the Company,its partners,and the government of the Democratic Republic of Congo.

Costs capitalized in prior years for work performed on the previously expired licensed concession were written off during the year.

6. ADVANCES PAYABLE

Advances payable are in respect of certain operating costs, consulting fees and reimbursements of expenditures related to the oil and gas properties. The advances, which are due to certain officers and directors, who are also shareholders of the Company, are non-interest bearing and unsecured. All outstanding advances payable as at December 31, 2004, were repaid in early 2005.

7. CONTRIBUTED SURPLUS

	2004	2003
Balance, beginning of year	**373,458**	373,458
Stock options granted	**977,692**	-
Stock options exercised	**-**	-
Balance, end of year	**1,351,150**	373,458

8. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares

b) Issued Common Shares

	2004		2003	
Common shares	***Number***	***Amount***	*Number*	*Amount*
Opening balance	**35,068,315**	**9,086,426**	29,830,664	8,503,535
Shares issued for cash	**43,508,333**	**11,125,000**	5,237,651	655,000
Shares issued on exercise of stock options	**1,350,000**	**229,500**	-	-
Shares issued on exercise of warrants	**9,036,651**	**1,355,498**	-	-
Share issue costs	**-**	**(899,635)**	-	(72,109)
Closing balance	**88,963,299**	**20,896,789**	35,068,315	9,086,426

As at December 31, 2004, 1,500,000 common shares are held in escrow (2003 - 1,500,000).

In January 2004, the Company issued 26,000,000 units consisting of one common share and one warrant by way of a private placement at $0.125 per unit. In addition, the Company issued 2,600,000 brokers warrants. Each warrant entitles the holder to purchase one common share at a price of $.15 per common share until January 23, 2006.

In December 2004, the Company issued 17,508,333 common shares by way of a private placement at $0.45 per share. In addition, the Company issued 1,663,291 brokers warrants. Each warrant entitles the holder to purchase one common share at a price of $.45 per common share until December 3, 2006.

c) Warrants

	2004			2003	
	Number of Warrants	***Weighted Average Exercise Price***	***Weighted Average Years to Expiry***	*Number of Warrants*	*Weighted Average Exercise Price*
Balance, beginning of year	**4,561,416**	**0.150**	**0.52**	NIL	NIL
Purchase warrants issued	**26,000,000**	**0.150**	**1.06**	4,037,651	0.150
Brokers warrants issued	**4,263,291**	**0.270**	**1.25**	523,765	0.150
Warrants exercised	**(9,036,651)**	**0.150**	**0.79**	NIL	NIL
Balance, end of year	**25,788,056**	**0.170**	**1.09**	4,561,416	0.150

d) Options

At December 31, 2004 and 2003, the Company had the following outstanding stock options issued to directors, officers, employees, consultants, and other key personnel pursuant to the Company's incentive stock option plan:

	2004		*2003*	
	Number of Options	***Weighted Average Exercise Price***	*Number of Options*	*Weighted Average Exercise Price*
Stock Options Outstanding, Beginning of year	**2,250,000**	**0.190**	2,650,000	0.187
Granted	**3,500,000**	**0.230**	-	-
Exercised	**(1,350,000)**	**0.170**	-	-
Expired and Cancelled	**(500,000)**	**0.210**	(400,000)	0.170
Stock Options Exercisable, End of Year	**3,900,000**	**0.230**	2,250,000	0.190

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

Exercise Prices	*Number Outstanding and Exercisable*	*Expiry Date*
.25	400,000	March 5, 2006
.21	1,750,000	February 2, 2009
.25	1,750,000	February 2, 2009

The Company uses the Black-Scholes option pricing model to estimate the fair value of options issued at the date of grant. During 2004, 3,500,000 options with a weighted average fair value of approximately $0.28 per option were granted and valued using the following assumptions:

	2004
Risk free interest rate (%)	4.01
Expected volatility (%)	34
Expected life (in years)	5
Expected dividends($)	nil

9. FINANCIAL INSTRUMENTS

The Company's financial instruments are comprised of cash and term deposits, accounts receivable, accounts payable and accruals, and advances payable. Due to their short-term maturity or capacity of prompt liquidation, the carrying amounts of these financial instruments approximates their fair market value. The Company is exposed to limited financial risk that arises from the credit quality of its joint venture partners, however it is management's opinion that these risks are not material.

Foreign currency risk

The Company enters into transactions denominated in British Pounds and United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. As at December 31, the following items are denominated in foreign currencies:

	2004 CAD$	*2003 CAD$*
Cash	**513,546**	-
Accounts payable	**551,283**	22,667

10. RELATED PARTY TRANSACTIONS

During the year, related party transactions included $155,664 (2003 - $141,957) incurred with respect to the consulting fees paid to directors and shareholders of the Company and $265,641 (2003 - $247,366) with respect to expenditures paid on behalf of the Company by its directors and shareholders. These transactions took place in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Terms and conditions are consistent with those of unrelated third parties. At December 31, 2004, $118 (2003 - $239,501) was payable to certain officers and directors, who are also shareholders of the Company. These accounts payable are subject to normal trade terms of payment applicable to non-related third parties.

11. INCOME TAXES PAYABLE

a) The Company has available the following estimated amounts which may be deducted for Canadian income tax purposes in determining taxable income of future years:

	2004	2003
Canadian development expenses	**$ 914,673**	$ 914,673
Canadian oil and gas property expense	**137,474**	137,474
Share issue costs	**719,708**	-
Foreign exploration and development expenses	**5,821,985**	2,143,764
	$7,593,840	$3,195,911

b) The Company has incurred losses for Canadian income tax purposes of approximately $1,771,804. Unless sufficient taxable income is earned in future years, these losses will expire as follows:

2005	$252,818
2006	$221,146
2007	$205,986
2008	$154,974
2009	$209,813
2010	$300,404
2011	$426,663

c) The Company's subsidiary, Collier Ventures Limited, has available foreign tax deductions of approximately $1,200,000 related to costs incurred on the Rendus Concession in the Democratic Republic of Congo, and will be subject to Democratic Republic of Congo taxation. The Government of the Democratic Republic of Congo has indicated that the tax will be in the form of a production royalty.

d) The future tax asset resulting from the above tax pools and loss carryforwards has not been recognized in these financial statements due to the uncertainty of utilizing the losses.

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the consolidated statements of operations.

Years ended December 31	***2004***	*2003*
Net operating (loss) before income tax reflected in consolidated statements of loss and deficit	**(3,803,474)**	(656,784)
Expected combined tax rate of federal and provincial	**37%**	37%
Expected income tax recovery at statutory rate	**(1,407,285)**	(243,010)
Non-deductible stock based compensation	**361,746**	-
Increase in unrecognized future tax recovery	**1,045,539**	243,010
Provision for income taxes	**$ -**	$ -

12. SUBSEQUENT EVENT

On March 31, 2005 Mart announced the signing of a formal agreement with Network Exploration & Production Nigeria Limited ("Network") that grants Mart the right to participate with Network in the development of the Qua Ibo Oil Field in Nigeria. The Qua Ibo Oil Field is located onshore in Nigeria's Niger Delta region and was awarded to Network under th Nigerian Government's marginal field allocation program. The terms of the agreement are consistent with the terms of the Company's agreement with Excel (note 5).

On February 10, 2005, the Company issued an additional 3,300,000 stock options exercisable at $0.74 with an expiry date of February 10, 2010.

MART RESOURCES INC.

CORPORATE INFORMATION

Share Capital

As of December 31, 2004

Issued and Outstanding:

Common shares	88,963,299
Warrants outstanding	25.8 million
Options outstanding	3.9 million

Trading Symbol

TSX-V: MMT

Corporate Office

MART RESOURCES INC.
1133 Kensington Road NW
Calgary, Alberta T2N 3P4
tel: 403-270-1841
fax: 403-270-1839
email: info@martresources.com
website: www.martresources.com

London Office
MART RESOURCES, INC.
3rd Floor
192 Sloane Street
London, England SW1X 9QX
tel: +44 (0) 207 235 2225
fax: +44 (0) 207 235 2224

Officers and Directors

David Parker, *President*

David Parker has over 22 years of upstream oil & gas experience with BP, Ranger Oil Limited and Canadian Natural Resources Ltd. He has worked in a number of technical and commercial roles including exploration geology & geophysics, economic modelling for strategic forecasting, acquisitions & divestments and corporate planning & development. Mr Parker is a fellow of the Geological Society of London and a member of AIPN, EAEG and PESGB.

Wade G. Cherwayko, *Chairman & CEO*

Wade Cherwayko has negotiated, financed and developed numerous projects over the past decade in West and North Africa. These include two power plants in Nigeria and Benin, and he was responsible for acquiring, financing, exploring and developing onshore and offshore oil and gas assets for Abacan Resource Corporation, Centurion Energy and Yinka Folowiyo Petroleum Company Ltd. Previously he was a consultant for oil companies operating in Canada, USA and South America.

David J. Halpin, *Chief Financial Officer and Secretary*

David Halpin is a Certified Management Accountant who has consulted for Mart Resources in financial, management, administrative and investor relations roles since the company's inception in 1995. Mr Halpin was also cofounder, director and CFO of Ware Solutions Corporation and was responsible for taking that company public on the TSX-V and for later negotiating the successful sale of the company. Prior to these positions, he provided his financial expertise to various Western Canadian companies operating in the resource and financial sectors.

Philip Nelson, *V.P. Exploration, Director*

Dr. Nelson worked in exploration and development geophysics for over twenty-eight years with Shell, including four years as Geophysical Advisor to Shell International in the Hague, with responsibilities for Africa, the Middle East and Far East. For the past 11 years, Dr. Nelson has worked on many African projects as a geophysical consultant. He is a Fellow of the Energy Institute (FEI), and an active member of AAPG, EAGE, SEG, SPE and PESGB.

Robert J. Leslie, *Director*

Dr. Leslie received his Ph.D. in Marine Geology and Oceanography from the University of Southern California. He has worked as an exploration geologist in Canada, U.S.A. and internationally. During his career, Dr. Leslie has served as Vice President, Exploration of Wainoco Oil Corporation (TSX, AMEX, NYSE) and President and CEO of BlueSky Oil & Gas Ltd. (TSE, NASDAQ), Texas General Resources, Inc. (AMEX), Red Oak Resources Inc. (TSX) and Mart Resources, Inc. (TSX.V). He has been a Director of the Corporation since August 1996.

William Cherwayko, *Director*

William 'Bill' Cherwayko has over five decades of oil & gas exploration and production experience. Mr. Cherwayko was President of Centurion Energy, and was responsible for setting up that company's operations in Canada, Tunisia, and Egypt. Previously, he co-founded Abacan Resources Corporation, a company focused on exploring for oil and gas in West Africa. He was responsible for negotiating concessions and for drilling and production operations for that company.

Leroy Wolbaum, *Director*

Leroy Wolbaum is an independent businessman who has been active in the oil and gas industry for over thirty five years. He has owned two chemical service companies and has provided consulting services in Africa, China and South America. Mr. Wolbaum is a past board member of Centurion Energy and is a director of Anglo-Swiss Industries Inc. He has been a Director of the Corporation since 1997.

Printed in Canada