

**RESOLVE VENTURES INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**



## AUDITORS' REPORT

To the Shareholders of  
Resolve Ventures Inc.

We have audited the balance sheets of Resolve Ventures Inc. as at August 31, 2007 and 2006, and the statements of loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

December 20, 2007

"Morgan & Company"

Chartered Accountants

# RESOLVE VENTURES INC.

## BALANCE SHEETS

	AUGUST 31	
	2007	2006
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 564,359	\$ 688,041
Goods and Services Tax recoverable	4,630	35,481
Tax credit and mining duties recoverable (Note 5)	-	264,291
Prepaid expenses	23,217	26,329
	<u>592,206</u>	<u>1,014,142</u>
Equipment (Note 4)	11,355	-
Quebec Mining Duties Recoverable (Note 5)	16,797	78,103
Mineral Properties (Note 5)	1,528,700	1,283,513
	<u>\$ 2,149,058</u>	<u>\$ 2,375,758</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 21,780	\$ 29,005
Tax credit and mining duties payable (Note 5)	104,974	-
Due to related parties (Note 5)	-	566,993
Interest on convertible promissory notes (Note 7)	78,650	64,350
Convertible promissory notes (Note 7)	130,000	125,978
	<u>335,404</u>	<u>786,326</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 8)	8,397,239	7,862,939
Equity Portion Of Convertible Promissory Notes	40,742	40,742
Deficit	(6,624,327)	(6,314,249)
	<u>1,813,654</u>	<u>1,589,432</u>
	<u>\$ 2,149,058</u>	<u>\$ 2,375,758</u>

### Nature Of Operations And Going Concern (Note 1)

Approved on behalf of the Board of Directors:

\_\_\_\_\_  
"David Baker"  
Director

\_\_\_\_\_  
"Martin Auyeung"  
Director

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

**RESOLVE VENTURES INC.**  
**STATEMENTS OF LOSS AND DEFICIT**

	YEARS ENDED AUGUST 31	
	2007	2006
<b>Expenses</b>		
Audit and accounting	\$ 43,258	\$ 31,640
Amortization	1,262	-
Interest on convertible notes	18,322	22,460
Bank charges and interest	11,538	372
Consulting	55,675	63,835
Legal	6,018	14,049
Management and administrative services	80,100	55,100
Office, rent and telephone	62,440	51,587
Professional fees	-	4,475
Regulatory and filing fees	7,942	19,997
Transfer agent	7,323	7,038
Shareholder's communication	16,320	18,392
Conferences and shows	-	3,200
Travel	-	12,384
<b>Loss Before The Following</b>	<b>(310,198)</b>	<b>(304,529)</b>
Interest income and other income	120	535
Office expenses recovered	-	99,084
Write-off of accounts payable	-	7,447
<b>Loss Before Income Taxes</b>	<b>(310,078)</b>	<b>(197,463)</b>
<b>Future Income Tax Recovery</b>	<b>-</b>	<b>85,248</b>
<b>Net Loss For The Year</b>	<b>(310,078)</b>	<b>(112,215)</b>
<b>Deficit, Beginning Of Year</b>	<b>(6,314,249)</b>	<b>(6,202,034)</b>
<b>Deficit, End Of Year</b>	<b>\$ (6,624,327)</b>	<b>\$ (6,314,249)</b>
<b>Basic And Diluted Loss Per Share</b>	<b>\$ (0.05)</b>	<b>\$ (0.02)</b>
<b>Weighted Average Outstanding Shares, Basic and diluted</b>	<b>6,707,414</b>	<b>4,685,865</b>

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

**RESOLVE VENTURES INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>YEARS ENDED AUGUST 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	\$ (310,078)	\$ (112,215)
Items not involving cash		
Future income tax recovery	-	(85,248)
Accretion on convertible notes	4,022	8,160
Accrued interest on convertible notes	14,300	14,300
Amortization	1,262	-
Write off accounts payable	-	(7,447)
Interest on tax assessment	11,404	-
	<b>(279,090)</b>	<b>(182,450)</b>
Changes in non-cash working capital balances		
Prepaid expenses	3,112	(26,329)
GST recoverable	30,851	7,577
Accounts payable and accrued liabilities	(7,225)	(2,363)
Due to related parties	(32,419)	(3,062)
	<b>(284,771)</b>	<b>(206,627)</b>
<b>Financing Activity</b>		
Issue of share capital (net of share issue costs)	<b>534,300</b>	<b>653,367</b>
<b>Investing Activities</b>		
Deferred acquisition costs	-	(50,000)
Deferred mineral property expenses	(606,469)	(184,609)
Mineral property tax credits	281,246	242,155
Repayment of mineral property tax credits	(35,371)	-
Purchase of property and equipment	(12,617)	-
	<b>(373,211)</b>	<b>7,546</b>
<b>(Decrease) Increase In Cash</b>	<b>(123,682)</b>	<b>454,276</b>
<b>Cash, Beginning Of Year</b>	<b>688,041</b>	<b>233,765</b>
<b>Cash, End Of Year</b>	<b>\$ 564,359</b>	<b>\$ 688,041</b>
<b>Supplemental Disclosure Of Non-Cash Financing And Investing Activities (Note 9)</b>		
<b>Supplemental Cash Flow Information</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

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

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

The Company's principal operations are the exploration of Canadian mineral properties.

During the year ended August 31, 2006, the Company consolidated its capital on a 10 old for 1 new basis. The name of the Company and the number of authorized common shares remain unchanged. The number of shares and issue and exercise prices per share in these financial statements have been restated to reflect the share consolidation.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Company has incurred significant losses over several years as a result of administrative expenses and the write off of costs incurred on unprofitable resource properties. In addition, there are questions as to whether the Company will have enough working capital to meet future administrative and property expenditures. The Company's continued existence is dependent upon its ability to obtain additional financing and achieving future profitable production from existing resource properties or proceeds from the disposition thereof.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. Management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubts about the validity of the "going concern" assumption used in preparing these financial statements.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these financial statements:

a) Mineral Properties, and Deferred Exploration and Development Costs

*Costs and Amortization*

Mineral properties, including options to mineral claims, are stated at cost. The recorded cost of mineral properties and exploration and development interests is based on cash paid and fair value, if any, of share considerations given for mineral properties and exploration and development costs incurred.

All direct and indirect costs relating to the acquisition of mineral properties are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or when management has determined that there is an impairment in the carrying values of those mineral properties.

The Company defers expenditures directly attributable to the exploration and development of mineral properties, pending a decision as to the commercial viability of a property. At such times as the Company loses or abandons title on its interest in the property, the accumulated expenditures on such property are charged to operations. If any property reaches commercial production, the applicable costs of the mineral property and the deferred exploration and development expenditures will be amortized against related production revenues on the unit of production method, based on the property's estimated reserves.

*Values*

Based on the information available to date, the Company has not yet determined whether the mineral properties it is exploring and developing contain economically recoverable reserves. The recoverability of the amounts capitalized as mineral properties and deferred exploration and development costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete its exploration and development programs and upon future profitable production.

The amounts shown for mineral properties and deferred exploration and development expenses represent costs incurred to date, and do not necessarily represent present or future values as they are entirely dependent upon various factors as noted above.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

a) Mineral Properties, and Deferred Exploration and Development Costs (Continued)

*Cost of Maintaining Mineral Properties*

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

*Environmental Protection and Rehabilitation Costs*

Presently, the Company does not foresee the necessity to make any material expenditure in this area; as a result, no amounts have been accrued for future site restoration costs.

*Impairment*

An impairment is recognized when the carrying amount of mineral properties is not recoverable and exceeds its fair value. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand competition, and other economic factors.

b) Equipment

Office equipment is recorded at cost and amortized over its economic life using the declining balance method at the rate of 20%.

c) Income Taxes

Income taxes are recorded using the liability method of tax allocation. Future income taxes are calculated based on temporary timing differences arising from the difference between the tax basis of an asset or liability and its carrying value using tax rates anticipated to apply in the periods when the timing differences are expected to reverse. The recognition of future income tax assets is limited to the amount that is more likely than not to be realized.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

d) Loss Per Share

Basic loss per common share is computed by dividing losses by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the years ended August 31, 2007 and 2006 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive. No adjustments were required to report loss from operations in computing diluted per share amounts.

e) Stock Option Plan

The Company accounts for all grants of options to employees, non-employees, and directors in accordance with the fair value method of accounting for stock based compensation pursuant to CICA Handbook Section 3870 – “Stock Based Compensation and Other Stock Based Payments”.

f) Foreign Currency Translation

Transactions denominated in foreign currencies are translated to Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at current rates of exchange and other assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the year, except for amortization and depletion which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized currently in earnings.

g) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h) Flow-through Financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to mineral property deferred exploration costs. When transferring the tax deductibility of exploration expenditures to the investor (renunciation), future income tax recovery income has been recognized and share capital has been reduced accordingly.

i) Asset Retirement Obligations

The Company follows the CICA Handbook Section 3110 “asset retirement obligations” which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset’s useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated nominal future value.

j) Impairment of Long-Lived Assets

The Company assesses the impairment of long-lived assets, which consist primarily of mineral property, property and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used are measured by a comparison of the carrying values of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

**3. NEW ACCOUNTING POLICIES NOT YET ADOPTED**

Effective for its fiscal year beginning September 1, 2007, the Company is required to adopt new accounting recommendations from The Canadian Institute of Chartered Accountants' ("CICA") Handbook: Section 1530, Comprehensive Income ("Section 1530"); Section 1651, Foreign Currency Translation; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855"); Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges.

Section 1530 established standards for reporting and presenting a comprehensive income statement. The statement of comprehensive income shows a total of the net income recognized by the Company in addition to the other comprehensive income of the Company. Other comprehensive income items are items which are being shown on the balance sheet at their fair value until the items are realized. The accounting guideline also requires separate presentation of changes in the Company's net assets other than those resulting from the Company's shareholders.

Section 3855 requires all financial assets and financial liabilities to be classified as one of five categories. Financial assets are to be classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are to be classified as either held for trading or other financial liabilities. All financial assets and financial liabilities are to be carried at fair value in the balance sheet, except held to maturity financial assets, loans and receivables and other financial liabilities which are measured at cost or amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at their fair value unless they qualify for normal sale purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The adoption of the above CICA Handbook sections is not expected to have a significant impact on the Company's financial statements.

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section will be effective for the Company beginning September 1, 2007. The Company does not expect the impact of the adoption of this new section on the financial statements to be significant.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

**3. NEW ACCOUNTING POLICIES NOT YET ADOPTED (Continued)**

Two new accounting standards were issued by the CICA, Section 3862, Financial Instruments – Disclosures (“Section 3862”), and Section 3863, Financial Instruments – Presentation (“Section 3863”). The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Company beginning September 1, 2007. The Company does not expect the impact of the adoption of these new sections on the financial statements to be significant.

**4. EQUIPMENT**

	2007		
	COST	ACCUMULATED AMORTIZATION	NET
Office furniture	<b>\$ 12,617</b>	<b>\$ 1,262</b>	<b>\$ 11,355</b>
	2006		
	COST	ACCUMULATED AMORTIZATION	NET
Office furniture	\$ -	\$ -	\$ -

**5. MINERAL PROPERTIES**

*Summary of Mineral Properties*

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2007
Acquisition costs	\$ 487,913	\$ -	\$ 487,913
Deferred exploration costs and advances	1,223,793	71,974	1,295,767
Mineral property tax credits and incentives	(428,193)	173,213	(254,980)
Total mineral property deferred costs	\$ 1,283,513	\$ 245,187	\$ 1,528,700

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**5. MINERAL PROPERTIES (Continued)**

*Summary of Mineral Properties (Continued)*

	BALANCE AUGUST 31 2005	ADDITIONS/ RECOVERIES	BALANCE AUGUST 31 2006
Acquisition costs	\$ 377,913	\$ 110,000	\$ 487,913
Deferred exploration costs and advances	507,162	716,631	1,223,793
Mineral property tax credits and incentives	(197,643)	(230,550)	(428,193)
Total mineral property deferred costs	<u>\$ 687,432</u>	<u>\$ 596,081</u>	<u>\$ 1,283,513</u>

a) *Ungava Acrex Property*

The Company has acquired a 100% interest in and to 150 mineral claims consisting of approximately 15,350 acres located in the Ungava area, Province of Quebec.

In consideration of the acquisition, the Company issued 50,000 of its common shares and made cash payments of \$65,000.

The Company has the option to purchase up to 2-1/2% of the royalty, at a price of \$500,000 per one-half percent, and is subject to a 3% net smelter return royalty.

The Company paid a \$13,788 finder's fee, upon completion of phase one work program with regards to the September 19, 2003 option agreement, in January 2005.

At the time of signing the September 19, 2003 option agreement, the finder's fee due to D. Baker Capital Inc. was an arms' length transaction. On January 8, 2004, David Baker, the sole director of D. Baker Capital Inc., became the president and a director of the Company.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. MINERAL PROPERTIES (Continued)**

a) *Ungava Acrex Property (Continued)*

Costs related to the Ungava Acrex Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2007
Acquisition costs			
Shares	\$ 59,125	\$ -	\$ 59,125
Cash	98,788	-	98,788
	<u>157,913</u>	-	<u>157,913</u>
Deferred exploration expenses			
Camp site	42,519	-	42,519
Claim staking and maintenance	18,012	14,710	32,722
Consulting	11,328	-	11,328
General and administration	13,431	-	13,431
Geophysical survey	106,389	-	106,389
Salaries and wages	2,465	-	2,465
	<u>194,144</u>	14,710	<u>208,854</u>
Refundable tax credits and mining duties	<u>(69,960)</u>	28,300	<u>(41,660)</u>
Total mineral property deferred costs	<u>\$ 282,097</u>	<u>\$ 43,010</u>	<u>\$ 325,107</u>

b) *Ungava Ubex Property*

The Company has acquired a 100% interest in four mineral properties covering approximately 25,610 acres in the Ungava region of Northern Quebec. The vendors will retain a 1% net smelter return royalty on any future mineral production from the properties.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. MINERAL PROPERTIES** (Continued)

b) *Ungava Ubex Property* (Continued)

Costs related to the Ungava Ubex Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2007
Acquisition costs			
Shares (50,000 at \$2.00)	\$ 100,000	\$ -	\$ 100,000
Cash	50,000	-	50,000
	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Deferred exploration expenses			
Camp site	47,665	-	47,665
Claim staking and maintenance	29,545	23,678	53,223
Consulting	10,172	-	10,172
General and administration	11,941	-	11,941
Geophysical survey	118,084	-	118,084
Salaries and wages	2,452	-	2,452
	<u>219,859</u>	<u>23,678</u>	<u>243,537</u>
Refundable tax credits and mining duties	<u>(79,854)</u>	<u>32,303</u>	<u>(47,551)</u>
Total mineral property deferred costs	<u>\$ 290,005</u>	<u>\$ 55,981</u>	<u>\$ 345,986</u>

c) *Ungava Scott Property*

The Company has acquired claims in the Ungava Belt in northern Quebec (also referred to as the Raglan District), which consists of 54,952 acres.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

**5. MINERAL PROPERTIES (Continued)**

c) *Ungava Scott Property (Continued)*

Costs related to the Ungava Scott Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2007
Acquisition costs			
Shares (10,000 at \$2.00)	\$ 20,000	\$ -	\$ 20,000
Cash	50,000	-	50,000
	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Deferred exploration expenses			
Camp site	15,888	-	15,888
Claim staking and maintenance	53,055	1,015	54,070
Consulting	11,892	-	11,892
General and administration	16,417	-	16,417
Geophysical survey	35,417	-	35,417
Salaries and wages	2,451	-	2,451
	<u>135,120</u>	<u>1,015</u>	<u>136,135</u>
Refundable tax credits and mining duties	<u>(47,641)</u>	<u>19,272</u>	<u>(28,369)</u>
Total mineral property deferred costs	<u>\$ 157,479</u>	<u>\$ 20,287</u>	<u>\$ 177,766</u>

d) *Ungava West Property*

The Company staked additional claims known as Ungava West. The Company staked (registered) a total of 342 units, totaling 14,222 hectares (35,143 acres) immediate west of the Company's main block of claims in the Raglan district.

Costs related to the Ungava West Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2007
Deferred exploration expenses			
Claim staking and maintenance	\$ 33,833	\$ 31,581	\$ 65,414
Refundable tax credits and mining duties	<u>(13,734)</u>	<u>5,556</u>	<u>8,178</u>
Total mineral property deferred costs	<u>\$ 20,099</u>	<u>\$ 37,137</u>	<u>\$ 57,236</u>

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. MINERAL PROPERTIES (Continued)**

e) *Raglan Project*

During the year ended August 31, 2006, the Company began an exploration program at its properties in the Ungava area, Quebec.

Costs related to the Raglan project are as follows and will be allocated to individual properties upon completion of the project:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2007
Deferred exploration expenses			
Camp site	\$ 20,400	\$ -	\$ 20,400
Consulting	326	-	326
Equipment rentals	4,304	-	4,304
Fieldwork, supplies and mobilization	5,025	-	5,025
Fuel and storage	73,920	-	73,920
Management fee	48,598	-	48,598
Geophysical survey	362,470	-	362,470
Reports and maps	18,755	-	18,755
Sampling and assays	776	-	776
	<u>534,574</u>	-	<u>534,574</u>
Refundable tax credits and mining duties	(217,004)	87,783	(129,221)
	<u>\$ 317,570</u>	<u>\$ 87,783</u>	<u>\$ 405,353</u>

f) *Klu Property*

On September 1, 2005, the Company entered into an agreement to acquire 100% of the Klu Property Mineral Claims located in Southwestern Yukon. The Company acquired the property from Inco Limited ("Inco") for a cash payment of \$50,000 and \$50,000 worth of the Company's shares. The property is subject to a 2% net smelter return held by FNX Mining Company Inc.

The Company made the cash payment of \$50,000 and issued 119,047 common shares to Inco at \$0.42 per share. The Company also paid a \$10,000 finder's fee.

**RESOLVE VENTURES INC.**  
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**5. MINERAL PROPERTIES (Continued)**

f) *Klu Property (Continued)*

Costs related to the Klu Property are as follows:

	BALANCE AUGUST 31 2007	ADDITIONS	BALANCE AUGUST 31 2006
Acquisition costs			
Shares (119,047 at \$0.42)	\$ 50,000	\$ -	\$ 50,000
Cash	50,000	-	50,000
Finder's fee	10,000	-	10,000
	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Deferred exploration expenses			
Airborne	18,185	-	18,185
Assays	1,823	-	1,823
Camp and fieldwork	11,328	-	11,328
Claim staking and maintenance	6,158	990	7,148
Consulting	45,740	-	45,740
General and administration	22,411	-	22,411
Equipment	340	-	340
Site visits	278	-	278
	<u>106,263</u>	<u>990</u>	<u>107,253</u>
Total mineral property deferred costs	<u>\$ 216,263</u>	<u>\$ 990</u>	<u>\$ 217,253</u>

g) *Mineral Exploration Credits*

As a result of the Company incurring exploration expenditures on its Quebec mineral properties, the Company applied for the following Province of Quebec government tax credits:

	2007	2006
2006 Quebec Corporate Tax Credit	\$ -	\$ 208,708
2004 Quebec mining duties credit	-	55,583
	<u>-</u>	<u>264,291</u>
2005 Quebec mining duties credit	-	39,040
2006 Quebec mining duties credit	16,797	39,063
	<u>16,797</u>	<u>78,103</u>
Total refundable tax credits and mining duties	<u>\$ 16,797</u>	<u>\$ 342,394</u>

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**5. MINERAL PROPERTIES (Continued)**

g) *Mineral Exploration Credits (Continued)*

The amounts received and expected are allocated to the respective Quebec properties based upon proportionate costs incurred on the properties. During the year ended August 31, 2007, the Company's mineral property tax claims were assessed, and the Company was requested to repay previously received credits. The amount of \$104,974 was accrued at August 31, 2007 as a result of the assessment.

**6. RELATED PARTY TRANSACTIONS**

Transactions are 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.

During the years ended August 31, 2007 and 2006, the Company entered into the following transactions with directors of the Company or companies controlled by them:

	2007	2006
Management fees	\$ 49,250	\$ 27,000
Fees for consulting services	\$ 49,125	\$ 14,500
Management and consulting fees allocated to deferred exploration costs	\$ -	\$ 68,098
Website maintenance	\$ 6,125	\$ 4,000

Prepaid expense include \$11,080 (2006 - \$20,117) paid to a company controlled by a director and a company controlled by an immediate family member of a director for future management fee and consulting fees.

Accounts payable and accrued liabilities include \$Nil (2006 - \$9,553) due to a director and a company controlled by an immediate family member of a director.

Due to related parties of \$Nil (2006 - \$566,993) was owing to companies related by virtue of common directors which consists of \$485,976 of exploration expenses incurred by the related company on behalf of the Company and \$48,598 charged by the related company as a 10% management fee. The amount was non-interest bearing, unsecured and had no fixed terms of repayment.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. CONVERTIBLE PROMISSORY NOTES**

	<b>2007</b>	2006
Convertible promissory notes	<b>\$ 130,000</b>	\$ 130,000
Equity portion of convertible promissory notes	<b>(40,742)</b>	(40,742)
	<b>89,258</b>	89,258
Interest accretion	<b>40,742</b>	36,720
	<b>\$ 130,000</b>	\$ 125,973

The convertible promissory notes bear interest at 11% calculated monthly, and the interest is payable every six months over the term of the notes. The notes are unsecured and, along with accrued interest, are convertible at the option of the holder at \$2.50 per share at any time until February 7, 2007. The Company is obligated to pay all principal and accrued interest in full on February 7, 2007; however, if the Company chooses, it may pay up to 50% of the outstanding principal within the first year, up to 75% of the principal during the second year, up to 87.5% of the principal during the third year, and up to 93.75% of the principal during the fourth year of the notes. As at August 31, 2007, the Company has not yet paid any of the principal and interest.

The liability component of the convertible debt is calculated as the present value of the principal, discounted at a rate approximating the interest rate that was estimated would have been applicable to non-convertible debt at the time the debt was issued. This portion of the convertible debt is accreted over its term to the full face value by charges to interest expense. The accretion is a non-cash transaction and has been excluded from the statement of cash flows.

The equity element of the convertible debt comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability element already calculated.

As at August 31, 2007, the Company was in default regarding repayment of the notes. Interest of 11% per annum continues to be accrued for any outstanding amounts.

Subsequent to August 31, 2007, the Company paid \$130,000 in principal and \$81,395 in accrued interest with respect to the notes.

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**8. SHARE CAPITAL**

a) Common Shares

Authorized: unlimited common shares without par value

Issued and outstanding:

	<b>NUMBER OF SHARES</b>	<b>AMOUNT</b>
Balance, August 31, 2005	2,727,789	\$ 7,244,830
Issued for property acquisitions:		
- Klu property @ \$0.42	119,047	50,000
Issued for cash:		
- Private placement @ \$0.19	2,875,000	546,250
- Exercise of warrants @ \$0.25	530,000	132,500
Share issue costs:		
- Financing fee – cash paid	-	(8,068)
- Commission – cash paid	-	(17,325)
Flow-through share tax recovery	-	(85,248)
	3,524,047	618,109
Balance, August 31, 2006	6,251,836	\$ 7,862,939
Issued for cash:		
- Private placement @ \$0.18	3,000,000	540,000
Issued for finders fees:	137,472	24,745
Share issue costs:		
- Commission – cash paid	-	(5,700)
- Commission – shares issued	-	(24,745)
	3,137,472	534,300
<b>Balance, August 31, 2007</b>	<b>9,389,308</b>	<b>\$ 8,397,239</b>

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

**8. SHARE CAPITAL (Continued)**

b) Private Placements

During the year ended August 31, 2007, the Company completed a private placement of 3,000,000 units (the "Units") at a price of \$0.18 per Unit, for gross proceeds of \$540,000. Each Unit is comprised of one common share (a "Share") of the Company and one transferable common share purchase warrant (the "Warrant"). Each Warrant is exercisable into one additional common share of the Company ("Warrant Share") for a period of two years from the closing date of the private placement at an exercise price of \$0.24. Finders' fees including \$5,400 cash and 137,472 Units (\$24,745) were paid.

During the year ended August 31, 2006, the Company completed a non-brokered private placement. The Company issued 2,875,000 units at a price of \$0.19 per unit for gross proceeds of \$546,250. Each unit is composed of one post-consolidated common share of the Company and on transferable common share purchase warrant, which is exercisable into one additional post-consolidated common share of the Company for a period of two years from the closing date of the private placement at an exercise price of \$0.25.

c) Warrants Outstanding

A summary of the Company's warrants that have been issued and their status at August 31, 2007 and 2006 and the changes for the years ending on those dates is presented below:

	<b>2007</b>		<b>2006</b>	
	<b>WARRANTS OUTSTANDING</b>	<b>WEIGHTED AVERAGE EXERCISE PRICE PER SHARE</b>	<b>WARRANTS OUTSTANDING</b>	<b>WEIGHTED AVERAGE EXERCISE PRICE PER SHARE</b>
Balance, beginning of year	3,443,600	\$ 0.54	2,208,815	\$ 1.57
Granted	3,137,472	0.24	2,875,000	0.25
Exercised	-		(530,000)	(0.25)
Expired	<u>(1,098,600)</u>	(1.17)	<u>(1,110,215)</u>	(1.98)
<b>Balance, end of year</b>	<b><u>5,482,472</u></b>	<b>\$ 0.24</b>	<b><u>3,443,600</u></b>	<b>\$ 0.54</b>

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. SHARE CAPITAL** (Continued)

c) Warrants Outstanding (Continued)

Share purchase warrants outstanding at August 31, 2007:

<u>EXERCISABLE INTO NUMBER OF COMMON SHARES</u>	<u>EXERCISE PRICE PER SHARE</u>	<u>EXPIRY DATE</u>
2,345,000	\$ 0.25	January 24, 2008
<u>3,137,472</u>	\$ 0.24	July 9, 2009
<u><u>5,482,472</u></u>		

d) Stock Option Plan

During the year ended August 31, 2005, the TSX Venture Exchange accepted the Company's amended Stock Option Plan, which was approved by the Company's shareholders at the Annual General Meeting. The Company implemented a rolling stock option plan whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan.

During the years ended August 31, 2007 and 2006, there were no stock options granted, exercised or outstanding for the purchase of common shares.

**9. NON-CASH TRANSACTIONS**

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

	<u>2007</u>	<u>2006</u>
137,472 common shares issued at \$0.18 per share in respect of finders fees related to the private placement closed in the year	<u>\$ 27,745</u>	<u>\$ -</u>
119,047 common shares issued at \$0.42 per share in respect of Klu property acquisition payment	<u>\$ -</u>	<u>\$ 50,000</u>

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

**10. INCOME TAXES**

A reconciliation of income taxes at statutory rates to the Company's effective income tax expense is as follows:

	<u>2007</u>	<u>2006</u>
Statutory tax rate	34%	34%
Expected income tax recovery	\$ (105,000)	\$ (67,000)
Non-deductible (deductible) differences	(12,000)	(16,000)
Unrecognized tax losses and effect of change in tax rates	117,000	83,000
Tax benefits recognized upon renouncement of exploration expenditures	-	(85,248)
Income tax provision (recovery)	<u>\$ -</u>	<u>\$ (85,248)</u>

Details of future income taxes are as follows:

	<u>2007</u>	<u>2006</u>
Mineral properties	\$ 190,000	\$ 332,000
Loss available for future periods	477,000	407,000
Valuation allowance	<u>(667,000)</u>	<u>(739,000)</u>
Net future income tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses available to offset future income for tax purposes of approximately \$1,401,000. These losses expire as follows:

2008	\$ 122,000
2009	\$ 143,000
2010	\$ 137,000
2014	\$ 263,000
2015	\$ 145,000
2026	\$ 245,000
2027	\$ 346,000

**RESOLVE VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**10. INCOME TAXES** (Continued)

In addition, the Company has available net capital losses of \$570,000 that can be applied indefinitely against future capital gains.

The Company has available approximately \$2,086,000 of Canadian and foreign resource deductions which may be carried forward indefinitely to reduce taxable income of future years.

No future income tax asset has been recognized for temporary timing differences due to uncertainty as to whether they will be utilized. Any potential benefit will be recognized in the financial statements when it is more likely than not that it will be realized.

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, tax credit and mining duties payable, related party loans payable, loans payable and principal and interest portions of promissory notes payable. The Company has determined that the carrying amounts of such financial instruments approximate fair value due to their short terms to maturity. It is management's opinion that the Company is not exposed to significant interest, credit or foreign currency risks arising from these financial instruments.

**12. SUBSEQUENT EVENT**

Subsequent to August 31, 2007, the Company repaid the convertible promissory note, plus interest, as disclosed in Note 7.