

RESOLVE VENTURES INC.

FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005



AUDITORS' REPORT

To the Shareholders of
Resolve Ventures Inc.

We have audited the balance sheets of Resolve Ventures Inc. as at August 31, 2006 and 2005, 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, 2006 and 2005, 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

November 15, 2006

"Morgan & Company"

Chartered Accountants

RESOLVE VENTURES INC.

BALANCE SHEETS

	AUGUST 31	
	2006	2005
ASSETS		
Current		
Cash	\$ 688,041	\$ 233,765
Goods and Services Tax recoverable	35,481	10,984
Tax credit and mining duties recoverable (Note 4)	264,291	245,000
Prepaid expenses	26,329	-
	<u>1,014,142</u>	<u>489,749</u>
Quebec Mining Duties Recoverable (Note 4)	78,103	109,000
Mineral Properties (Note 4)	<u>1,283,513</u>	<u>687,432</u>
	<u>\$ 2,375,758</u>	<u>\$ 1,286,181</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 29,005	\$ 31,368
Due to related party (Note 5)	566,993	3,407
Interest on convertible promissory notes (Note 6)	64,350	50,050
Convertible promissory notes (Note 6)	125,978	-
	<u>786,326</u>	<u>84,825</u>
Convertible Promissory Notes (Note 6)	-	117,818
	<u>786,326</u>	<u>202,643</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	7,862,939	7,244,830
Equity Portion Of Convertible Promissory Notes	40,742	40,742
Deficit	(6,314,249)	(6,202,034)
	<u>1,589,432</u>	<u>1,083,538</u>
	<u>\$ 2,375,758</u>	<u>\$ 1,286,181</u>

Nature Of Operations And Going Concern (Notes 1 and 2)

Approved by the Board of Directors:

"David Baker"
David Baker, Director

"Martin Auyeung"
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	
	2006	2005
Expenses		
Audit and accounting	\$ 31,640	\$ 30,560
Interest on convertible notes	22,460	22,460
Bank charges and interest	372	580
Consulting	63,835	71,650
Legal	14,049	16,451
Loss on foreign exchange	516	1,366
Management and administrative services	55,100	59,991
Office, rent and telephone	51,071	72,935
Professional fees	4,475	3,690
Regulatory and filing fees	19,997	31,209
Transfer agent	7,038	8,993
Shareholder's communication	18,392	32,238
Conferences and shows	3,200	27,176
Travel	12,384	65,071
Loss Before The Following	(304,529)	(444,370)
Interest Income And Other Income	535	493
Office Expenses Recovered (Note 9)	99,084	-
Write Off Of Mineral Property	-	(908,736)
Write Off Of Accounts Payable	7,447	-
Loss Before Income Taxes	(197,463)	(1,352,613)
Future Income Tax Recovery	85,248	215,481
Net Loss For The Year	(112,215)	(1,137,132)
Deficit, Beginning Of Year	(6,202,034)	(5,064,902)
Deficit, End Of Year	\$ (6,314,249)	\$ (6,202,034)
Loss Per Share, Basic and diluted	\$ (0.02)	\$ (0.50)
Weighted Average Common Shares Outstanding	4,685,865	2,258,844

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

RESOLVE VENTURES INC.
STATEMENTS OF CASH FLOWS

	YEARS ENDED AUGUST 31	
	2006	2005
Cash Flows From Operating Activities		
Net loss for the year	\$ (112,215)	\$ (1,137,132)
Items not involving cash:		
Future income tax recovery	(85,248)	(215,481)
Accretion on convertible notes	8,160	8,160
Accrued interest on convertible notes	14,300	14,300
Write off accounts payable	(7,447)	-
Write off of mineral property	-	908,736
	<u>(182,450)</u>	<u>(421,417)</u>
Changes in non-cash working capital balances:		
Prepaid expenses	(26,329)	-
GST recoverable	7,577	(2,812)
Accounts payable and accrued liabilities	(2,363)	(524)
Due to related party	(3,062)	(57,233)
	<u>(206,627)</u>	<u>(481,986)</u>
Cash Flows From Financing Activity		
Issue of share capital (net of share issue costs)	<u>653,357</u>	<u>1,075,047</u>
Cash Flows From Investing Activities		
Deferred acquisition costs	(50,000)	(157,288)
Deferred mineral exploration expenses	(184,609)	(624,915)
Mineral property tax credits and incentives	242,155	331,841
	<u>7,546</u>	<u>(450,362)</u>
Increase In Cash	454,276	142,699
Cash, Beginning Of Year	<u>233,765</u>	<u>91,066</u>
Cash, End Of Year	\$ 688,041	\$ 233,765
Supplemental Disclosure Of Non-Cash Financing And Investing Activities (Note 8)		
Supplemental Cash Flow Information		
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, 2006 AND 2005

1. GOING CONCERN

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.

2. NATURE OF OPERATIONS

The Company’s principal operations are the exploration of mineral properties in the Raglan area of Northern Quebec, Canada (Note 4).

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.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 assigned 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.

Cost of Maintaining Mineral Properties

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

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

b) 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.

c) 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, 2006 and 2005 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.

d) 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”.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) Use of Estimates

The preparation of the financial statements in conformity with 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.

g) 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.

h) Asset Retirement Obligations

The Company has adopted 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.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES

Ungava Acrex Property

During the year ended August 31, 2005, the Company entered into an agreement with Acrex Ventures Ltd. ("Acrex") whereby the Company will acquire a 100% interest in and to 150 mineral claims. The claims consist 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 to Acrex and made a cash payment of \$65,000.

This Agreement replaces a September 19, 2003 option agreement previously granted to the Company by Acrex to earn up to a 70% interest in the Property. The Agreement further provides that Acrex will retain a 3% net smelter return royalty on any mineral production from the Property. 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.

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.

Costs related to the Ungava Acrex Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS/ (RE-ALLOCATIONS)	BALANCE AUGUST 31 2005
Acquisition costs			
Shares	\$ 59,125	\$ -	\$ 59,125
Cash	98,788	-	98,788
	157,913	-	157,913
Deferred exploration expenses			
Camp site	42,519	-	42,519
Claim staking and maintenance	18,012	(9,708)	27,720
Consulting	11,328	2,584	8,744
General and administration	13,431	834	12,597
Geophysical survey	106,389	-	106,389
Salaries and wages	2,465	2,465	-
	194,144	(3,825)	197,969
Refundable tax credits and mining duties	(69,960)	7,347	(77,307)
Total mineral property deferred costs	\$ 282,097	\$ 3,522	\$ 278,575

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES (Continued)

Ungava Ubex Property

The Company entered into a purchase agreement with Ubex Capital Inc. and Menace Capital Corp. ("vendors") dated September 22, 2003 whereby the Company may acquire a 100% interest in four mineral properties covering approximately 25,610 acres in the Ungava region of Northern Quebec. To earn the interest in the property, the Company must pay \$15,000 upon signing of the letter of intent (paid), pay \$35,000 (paid) and issue 50,000 common shares (issued) of the Company upon approval of the agreement by the TSX Venture Exchange. The agreement received regulatory approval on January 19, 2004. The vendors will retain a 1% net smelter return royalty on any future mineral production from the properties.

Costs related to the Ungava Ubex Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS/ (RE-ALLOCATIONS)	BALANCE AUGUST 31 2005
Acquisition costs			
Shares (50,000 at \$2.00)	\$ 100,000	\$ -	\$ 100,000
Cash	50,000	-	50,000
	150,000	-	150,000
Deferred exploration expenses			
Camp site	47,665	-	47,665
Claim staking and maintenance	29,545	(9,708)	39,253
Consulting	10,172	2,584	7,588
General and administration	11,941	834	11,107
Geophysical survey	118,084	-	118,084
Salaries and wages	2,452	2,452	-
	219,859	(3,838)	223,697
Refundable tax credits and mining duties	(79,854)	7,425	(87,279)
Total mineral property deferred costs	\$ 290,005	\$ 3,587	\$ 286,418

Ungava Scott Property

On January 12, 2004, the Company acquired additional claims in the Ungava Belt in northern Quebec (also referred to as the Raglan District). The new acquisition comprises 54,952 acres. To acquire a 100% interest in the claims, the Company must pay \$50,000 in cash (paid) and issue 10,000 (issued) shares on Exchange approval. The TSX Venture Exchange approved the transaction on February 4, 2004.

RESOLVE VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES (Continued)

Ungava Scott Property (Continued)

Costs related to the Ungava Scott Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS/ (RE-ALLOCATIONS)	BALANCE AUGUST 31 2005
Acquisition costs			
Shares (10,000 at \$2.00)	\$ 20,000	\$ -	\$ 20,000
Cash	50,000	-	50,000
	<u>70,000</u>	-	<u>70,000</u>
Deferred exploration expenses			
Camp site	15,888	(100)	15,988
Claim staking and maintenance	53,055	37,729	15,326
Consulting	11,892	3,735	8,157
General and administration	16,417	5,809	10,608
Geophysical survey	35,417	-	35,417
Salaries and wages	2,451	2,451	-
	<u>135,120</u>	49,624	<u>85,496</u>
Refundable tax credits and mining duties	<u>(47,641)</u>	(14,584)	<u>(33,057)</u>
Total mineral property deferred costs	<u>\$ 157,479</u>	\$ 35,040	<u>\$ 122,439</u>

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	RE-ALLOCATED FROM OTHER PROPERTIES	BALANCE AUGUST 31 2005
Deferred exploration expenses			
Claim staking and maintenance	\$ 33,833	\$ 33,833	\$ -
Refundable tax credits and mining duties	<u>(13,734)</u>	(13,734)	-
Total mineral property deferred costs	<u>\$ 20,099</u>	\$ 20,099	<u>\$ -</u>

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES (Continued)

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 2005
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	-
	534,574	534,574	-
Refundable tax credits and mining duties	(217,004)	(217,004)	-
Total mineral property deferred costs	\$ 317,570	\$ 317,570	\$ -

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.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES (Continued)

Klu Property (Continued)

Costs related to the Klu Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2005
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>110,000</u>	<u>-</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	6,158	-
Consulting	45,740	45,740	-
General and administration	22,411	22,411	-
Equipment	340	340	-
Site visits	278	278	-
	<u>106,263</u>	<u>106,263</u>	<u>-</u>
Total mineral property deferred costs	<u>\$ 216,263</u>	<u>\$ 216,263</u>	<u>\$ -</u>

Shoot Out Property

The Company entered into an option agreement with Golden Valley Mines Ltd. ("Golden") dated August 29, 2003 whereby the Company may earn a 50% interest in certain mining claims located in the Lac Dumas and Lac Forcier Townships of Northern Quebec. The option is subject to Golden first acquiring a 100% interest in and to the property by fulfilling the terms of an option agreement entered into by Golden and the mineral rights holder. Effective on the date on which Golden acquires a 100% interest in the Property, the Company will receive an exclusive option to acquire an undivided 50% interest in the Property by:

- i) issuing 50,000 common shares to Golden (issued).
- ii) paying \$100,000 to Golden as follows:
 - \$20,000 upon regulatory approval (paid);
 - \$20,000 by November 29, 2003 (paid);
 - \$30,000 by May 29, 2004 (paid);
 - \$30,000 by May 29, 2005 (paid);

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

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4. MINERAL PROPERTIES (Continued)

Shoot Out Property (Continued)

iii) incurring exploration expenditures in the aggregate amount of \$2,000,000 as follows:

- \$350,000 by December 31, 2003 (completed);
- an additional \$550,000 on or before December 31, 2004 (completed);
- an additional \$1,100,000 on or before December 31, 2005.

The Company received regulatory approval for the transaction on September 9, 2003. The Company paid a \$44,250 finder's fee with regard to the option agreement (included as part of acquisition costs). The Company paid an additional \$43,500 finder's fee in December 2004 pursuant to an August 29, 2003 finder's fee agreement.

At the time of signing the 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.

On June 16, 2005, the Company announced that it had decided to discontinue its joint venture arrangement with Golden Valley. Accordingly, the Shoot Out property has been written off.

Costs related to the Shoot Out Property are as follows:

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2005
Acquisition costs			
Shares (50,000 at \$2.00)	\$ -	\$ -	\$ 100,000
Cash	-	-	187,750
	-	-	287,750
Deferred exploration expenses			
Airborne	-	-	260,491
Camp site	-	-	233,250
Claim staking and maintenance	-	-	9,144
Consulting	-	-	2,888
Drilling, assaying and overhead	-	-	100,048
Geology and fieldwork	-	-	88,237
General and administration, project management, and claim maintenance	-	-	188,975
Helicopter	-	-	198,234
Legal	-	-	15,917
Logistics	-	-	12,000
	-	-	1,109,184

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES (Continued)

Shoot Out Property (Continued)

	BALANCE AUGUST 31 2006	ADDITIONS	BALANCE AUGUST 31 2005
Refundable tax credits and mining duties	\$ -	\$ -	\$ (488,198)
Write off of Shoot Out Property			
Acquisition costs	-	-	(287,750)
Deferred expenses	-	-	(620,986)
	-	-	(908,736)
Total mineral property deferred costs	\$ -	\$ -	\$ -

Summary of Mineral Properties

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

	BALANCE AUGUST 31 2005	ADDITIONS/ (RECOVERIES)	WRITE OFFS	BALANCE AUGUST 31 2004
Acquisition costs	\$ 377,913	\$ 193,538	\$ (287,750)	\$ 472,125
Deferred exploration costs and advances	507,162	624,915	(1,109,184)	991,431
Mineral property tax credits and incentives	(197,643)	(685,841)	488,198	-
Total mineral property deferred costs	\$ 687,432	\$ 132,612	\$ (908,736)	\$ 1,463,556

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

4. MINERAL PROPERTIES (Continued)

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:

	<u>2006</u>	<u>2005</u>
2006 Quebec Corporate Tax Credit	\$ 208,708	\$ -
2005 Quebec Corporate Tax Credit (received in 2006)	-	245,000
2004 Quebec mining duties credit (received subsequent to August 31, 2006)	55,583	-
	264,291	245,000
2004 Quebec mining duties credit	-	64,000
2005 Quebec mining duties credit	39,040	45,000
2006 Quebec mining duties credit	39,063	-
	78,103	109,000
Total refundable tax credits and mining duties	\$ 342,394	\$ 354,000

The amounts are allocated to the respective Quebec properties based upon proportionate costs incurred on the properties.

5. 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, 2006 and 2005, the Company entered into the following transactions with directors of the Company or companies controlled by them:

	<u>2006</u>	<u>2005</u>
Management fees	\$ 27,000	\$ 30,000
Fees for consulting services	\$ 14,500	\$ 17,250
Management and consulting fees allocated to deferred exploration costs	\$ 68,098	\$ 12,000
Website maintenance	\$ 4,000	\$ 6,000

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

5. RELATED PARTY TRANSACTIONS (Continued)

Prepaid expenses include \$20,117 (2005 - \$Nil) paid to a company controlled by an immediate family member of a director for future rent and leasehold expenses. Prepaid expenses also include \$4,240 (2005 - \$Nil) paid to a director for future management fees.

Accounts payable and accrued liabilities include \$9,553 (2005 - \$1,013) due to a director and a company controlled by a director. Due to related parties of \$566,993 (2005 - \$3,407) is 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 is non-interest bearing, unsecured and has no fixed terms of repayment. The amount was paid by the Company to the related party subsequent to August 31, 2006.

During the year ended August 31, 2005, the Company was charged 15% of the budgeted camp construction and transportation costs incurred by a company related by common directors. The amount of \$45,281 was allocated to deferred mineral property costs.

6. CONVERTIBLE PROMISSORY NOTES

	2006	2005
Convertible promissory notes	\$ 130,000	\$ 130,000
Equity portion of convertible promissory notes	(40,742)	(40,742)
	89,258	89,258
Interest accretion	36,720	28,560
	\$ 125,978	\$ 117,818

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.

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.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

6. CONVERTIBLE PROMISSORY NOTES (Continued)

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.

7. SHARE CAPITAL

During the year ended August 31, 2006, the Company consolidated its share capital on a ten existing share to one new share basis. All share and per share amounts have been restated in these financial statements to reflect the share consolidation.

a) Common Shares

Authorized: unlimited common shares without par value

Issued and outstanding:

	NUMBER OF SHARES	AMOUNT
Balance, August 31, 2004	1,476,585	\$ 6,320,614
Issued for cash:		
- Private placement @ \$1.50	208,950	313,425
- Private placement @ \$2.00	53,500	107,000
- Private placement @ \$1.80	131,100	235,980
- Private placement @ \$0.60	504,000	302,400
- Private placement @ \$0.80	296,000	236,800
	1,193,550	1,195,605
Issued for property acquisitions:		
- Ungava Acrex property @ \$ 1.50	7,500	11,250
- Ungava Acrex property @ \$ 0.50	50,000	25,000
	57,500	36,250
Share issue costs:		
- Brokers' warrants (Black-Scholes fair value)	-	31,900
- Financing fee – cash paid	-	(11,250)
- Finders' fee and commission - cash paid	-	(80,908)
- Finders' fee - shares issued	1,153	-
- Finders' fee - brokers' warrants (fair value)	-	(31,900)
	1,153	(92,158)
Cancellation of escrow shares	(999)	-
Flow-through share tax recovery	-	(215,481)
	(999)	(215,481)
Balance, August 31, 2005	2,727,789	\$ 7,244,830

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

7. SHARE CAPITAL (Continued)

a) Common Shares (Continued)

	NUMBER OF SHARES	AMOUNT
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)
	<u>3,524,047</u>	<u>703,357</u>
Flow-through share tax recovery	-	(85,248)
Balance, August 31, 2006	<u><u>6,251,836</u></u>	<u><u>\$ 7,862,939</u></u>

b) Private Placements

During the year ended August 31, 2006, the Company completed a non-brokered private placement. The Company issued 2,875,000 units (the "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 (a "Share") of the Company and one transferable common share purchase warrant (the "Warrant"). Each Warrant is exercisable into one additional post-consolidated 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 \$0.25.

During the year ended August 31, 2005, the Company completed a non-brokered private placement involving the issuance of 800,000 units (504,000 non-flow through units and 296,000 flow-through units) at a price of \$0.60 per non-flow through unit and \$0.80 per flow-through unit, for total proceeds of \$539,200. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company for a period of two years from closing at a price of \$1.00 per share. Finder's fees and financing fees paid in connection with the private placement, comprised of a total of \$35,130.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

7. SHARE CAPITAL (Continued)

b) Private Placements (Continued)

On October 21, 2004, the Company completed a brokered private placement for the issuance of 131,100 flow-through common shares at a price of \$1.80 per common share for total proceeds of \$235,980. The Company paid a total of \$28,966 in finance fees, commissions, legal fees and agency expenses with regards to the private placement. In addition, the Company issued 1,154 common shares at a price of \$1.80 per share and an aggregate of 19,665 broker warrants, each such broker warrant entitling the holder to purchase one common share of the Company at an exercise price of \$1.80 per common share for a period of 2 years from the closing date, as finder's fees.

On September 21, 2004, the Company completed Tranche #2 of the private placement announced on July 19, 2004. 208,950 non-flow-through units at \$1.50 per unit and 53,500 flow-through units at \$2.00 per unit were sold with gross proceeds of \$420,425 received. Each non-flow through unit consists of one common share and one non-transferable share purchase warrant which allows the holder to purchase an additional non-flow through common share of the Company at the same unit price for a period of two years from the date of issuance. Each flow-through unit consists of one flow-through common share and one non-transferable share purchase warrant which allows the holder to purchase an additional flow-through common share of the Company at the same unit price for a period of two years from the date of issuance. Finders' fees paid for the Tranche #2 were \$28,062 cash, 13,365 warrants to purchase one common share at \$1.50 per share, and 2,850 warrants to purchase one common share at \$2.00 per share.

The fair value of the Brokers' warrants was determined using the Black-Scholes pricing model with the following weighted average assumptions:

Dividend yield	Nil
Expected volatility	159% - 206%
Risk free rate of return	4%
Expected life of warrants	2 yrs

<u>Warrants issued</u>	<u>Exercise Price</u>	Fair value (determined using the <u>Black-Scholes model</u>)
13,635	\$1.50	\$14,999
2,850	\$2.00	\$ 3,135
<u>19,665</u>	<u>\$1.80</u>	<u>\$13,766</u>
36,150		\$31,900

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

7. SHARE CAPITAL (Continued)

c) Escrow Shares

During the year ended August 31, 2005, 999 common shares, which were subject to an escrow agreement, were cancelled due to the expiration of the escrow agreement, leaving no further common shares held in escrow.

d) Warrants Outstanding

A summary of the Company's warrants that have been issued and their status at August 31, 2006 and 2005 and the changes for the years ending on those dates is presented below:

	<u>2006</u>		<u>2005</u>	
	<u>WARRANTS OUTSTANDING</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE/SHARE</u>	<u>WARRANTS OUTSTANDING</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE/SHARE</u>
Balance, beginning of year	2,208,815	\$ 1.57	1,110,215	\$ 1.98
Granted	2,875,000	0.25	1,098,600	1.30
Exercised	(530,000)	(0.25)	-	-
Cancelled/ Expired	<u>(1,110,215)</u>	<u>(1.98)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>3,443,600</u>	<u>\$ 0.54</u>	<u>2,208,815</u>	<u>\$ 1.57</u>

Share purchase warrants outstanding at August 31, 2006:

<u>EXERCISABLE INTO NUMBER OF COMMON SHARES</u>	<u>EXERCISE PRICE PER SHARE</u>	<u>EXPIRY DATE</u>
119,950	\$ 1.50	September 21, 2006
42,500	\$ 2.00	September 21, 2006
26,135	\$ 1.50	September 24, 2006
1,750	\$ 2.00	September 24, 2006
77,000	\$ 1.50	September 28, 2006
6,600	\$ 2.00	September 28, 2006
5,000	\$ 1.50	October 4, 2006
19,665	\$ 1.80	October 20, 2006
800,000	\$ 1.00	February 27, 2007
<u>2,345,000</u>	<u>\$ 0.25</u>	<u>January 24, 2008</u>
3,443,600		

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

7. SHARE CAPITAL (Continued)

e) Options Outstanding

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, 2006 and 2005, there were no stock options granted, exercised or outstanding for the purchase of common shares.

8. 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>2006</u>	<u>2005</u>
7,500 common shares issued at \$1.50 per share in respect of Ungava Acrex property acquisition payment	\$ -	\$ 11,250
50,000 common shares issued at \$0.50 per share in respect of Ungava Acrex property acquisition payment		25,000
119,047 common shares issued at \$0.42 per share in respect of Klu property acquisition payment	50,000	-
	<u>\$50,000</u>	<u>\$36,250</u>

9. OFFICE EXPENSES RECOVERED

The Company received and recognized a \$99,084 expense recovery for previously recognized rent, and miscellaneous administrative services provided to the Company during the years ended 2004 and 2005. The amount was recorded as an expense recovery in 2006 and credited to operations.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2006 AND 2005

10. INCOME TAXES

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

	<u>2006</u>	<u>2005</u>
Statutory tax rate	34%	36%
Expected income tax recovery	\$ (67,000)	\$ (487,000)
Non-deductible (deductible) differences	(16,000)	426,000
Unrecognized tax losses and effect of change in tax rates	83,000	61,000
Tax benefits recognized upon renouncement of exploration expenditures	(85,248)	(215,481)
Income tax provision (recovery)	<u>\$ (85,248)</u>	<u>\$ (215,481)</u>

Details of future income taxes are as follows:

	<u>2006</u>	<u>2005</u>
Mineral properties	\$ 332,000	\$ 441,000
Loss available for future periods	407,000	451,000
Valuation allowance	(739,000)	(892,000)
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 \$1,196,000. These losses expire as follows:

2007	\$ 141,000
2008	\$ 122,000
2009	\$ 143,000
2010	\$ 137,000
2014	\$ 263,000
2015	\$ 145,000
2016	\$ 245,000

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 \$2,260,000 of Canadian and foreign resource deductions which may be carried forward indefinitely to reduce taxable income of future years.

RESOLVE VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005

10. INCOME TAXES (Continued)

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 has estimated the fair value of its financial instruments, which consist of cash, accounts payable and accrued liabilities, related party loans payable, loans payable and principal and interest portions of promissory notes payable. The Company used valuation methodologies and market information available as at year end and has determined that the carrying amounts of such financial instruments approximate fair value. It is management's opinion that the Company is not exposed to significant interest, credit or foreign currency risks arising from these financial instruments, except as noted below.

The Company's promissory notes detailed in Note 6 are all convertible at the option of the holders into common shares of the Company and are issued with interest payable at rates less than normal market rates under similar conditions without the conversion feature.

Therefore, should the holders of such debentures not elect to exercise their conversion rights, replacement funds may not be available to repay the debentures on their respective maturity dates or refinance the debentures at equivalent rates. No reliable estimate can be made as to the financial amount of such risk.

12. COMPARATIVE FIGURES

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