

**RESOLVE VENTURES INC.**

**INTERIM FINANCIAL STATEMENTS**

**February 28, 2006**

**(Unaudited)**

NOTICE TO READER

INTERIM BALANCE SHEETS

INTERIM STATEMENTS OF LOSS AND DEFICIT

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

# Resolve Ventures Inc.

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## *UNAUDITED INTERIM FINANCIAL STATEMENTS*

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statement for the period ended February 28, 2006.

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### **NOTICE TO READER**

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The interim balance sheet as at February 28, 2006 and the interim statements of loss and deficit, and the interim statements of cash flows for the six-month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Morgan and Company.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

***/s/ David Baker***

David Baker, Director  
Vancouver, BC Canada  
April 28, 2006

***/s/ Martin Auyeung***

Martin Auyeung, Director  
Vancouver, BC Canada  
April 28, 2006

# RESOLVE VENTURES INC.

## INTERIM BALANCE SHEETS

	February 28 2006 <i>(Unaudited)</i>	August 31 2005 <i>(Audited)</i>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 369,667	\$ 233,765
Goods and services tax recoverable	5,666	10,984
Tax credit recoverable	242,155	245,000
Prepaid expenses	7,858	-
Other receivables	182	-
	<u>625,528</u>	<u>489,749</u>
<b>Quebec Mining Duties Recoverable</b>	110,657	109,000
<b>Mineral Properties</b>	954,549	687,432
	<u>\$ 1,690,734</u>	<u>\$ 1,286,181</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 36,548	\$ 34,775
Interest on convertible promissory notes	57,200	50,050
	<u>93,748</u>	<u>84,825</u>
<b>Convertible Promissory Notes</b>	121,898	117,818
	<u>215,646</u>	<u>202,643</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share Capital (Note 6)	7,736,649	7,244,830
Equity Portion of Convertible Promissory Notes	40,742	40,742
Deficit	<u>( 6,302,303)</u>	<u>( 6,202,034)</u>
	<u>1,475,088</u>	<u>1,083,538</u>
	<u>\$ 1,690,734</u>	<u>\$ 1,286,181</u>

Approved by the Directors:

*"David Baker"*

David Baker, Director

*"Martin Auyeung"*

Martin Auyeung, Director

# RESOLVE VENTURES INC.

## INTERIM STATEMENTS OF LOSS AND DEFICIT

(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	Feb. 28, 2006	Feb. 28, 2005	Feb. 28, 2006	Feb. 28, 2005
<b>EXPENSES</b>				
Audit and accounting	15,690	11,210	20,940	14,960
Interest on convertible notes	5,615	5,615	11,230	11,230
Bank charges and interest	229	138	350	236
Consulting and professional fees	12,135	19,340	34,585	36,690
Legal	5,809	187	11,817	2,486
Management and administrative services	14,800	20,370	27,200	34,905
Office, rent and telephone	16,283	17,200	38,943	32,499
Regulatory authorities	10,762	11,881	19,047	18,579
Transfer agent	2,586	1,612	3,678	5,596
Shareholders' communication	3,690	7,662	10,320	14,413
Conferences and shows	650	2,062	3,200	7,080
Travel	-	7,444	3,579	16,145
Property investigation	-	-	152	-
<b>NET LOSS BEFORE THE FOLLOWING</b>	<b>(88,249)</b>	<b>(104,721)</b>	<b>(185,041)</b>	<b>(194,819)</b>
Oil and Gas Income (Loss), Net of Royalties	-	(16)	-	(61)
Interest Income	(1)	(1)	(13)	(11)
(Gain) Loss on foreign exchange	489	-	489	1,191
FIT recovery	(85,248)	(215,481)	(85,248)	(215,481)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>3,489</b>	<b>110,777</b>	<b>(100,269)</b>	<b>19,543</b>
<b>DEFICIT – BEGINNING OF PERIOD</b>	<b>(6,298,814)</b>	<b>(5,156,136)</b>	<b>(6,202,034)</b>	<b>(5,064,902)</b>
<b>DEFICIT – END OF PERIOD</b>	<b>\$ (6,302,303)</b>	<b>(5,045,359)</b>	<b>(6,302,303)</b>	<b>(5,045,359)</b>
<b>LOSS PER SHARES, Basic and diluted</b>			<b>\$ 0.03</b>	<b>(0.01)</b>
<b>WEIGHTED AVERAGE OUTSTANDING</b>			<b>3,395,540</b>	<b>1,816,914</b>

# RESOLVE VENTURES INC.

## INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	Feb. 28, 2006	Feb. 28, 2005	Feb. 28, 2006	Feb. 28 2005
<b>Cash provided (used) by:</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (3,489)	110,777	(100,269)	19,543
Items not involving cash				
FIT recovery	(85,248)	(215,481)	(85,248)	(215,481)
Accretion on convertible notes	2,040	2,040	4,080	4,080
Accrued interest on convertible notes	3,575	3,575	7,150	7,150
	(83,122)	(99,089)	(174,287)	(174,287)
<b>Changes in non-cash working capital balances</b>				
(Increase) decrease in prepaid expenses	(6,358)	2,821	(7,858)	(2,896)
(Increase) decrease in taxes recoverable	3,594	(410,181)	6,506	(448,681)
(Increase) decrease in A/R	-	1,250	(182)	8,114
Increase (decrease) in A/P	(11,618)	(44,826)	1,773	68,964
	(14,382)	(450,936)	239	(374,499)
	(97,504)	(550,025)	(174,048)	(559,207)
<b>Financing Activities</b>				
Issue of share capital	537,067	539,200	527,067	1,138,577
Share subscription	(100,000)	-	-	(28,400)
	437,067	539,200	527,067	1,110,177
<b>Investing Activities</b>				
Deferred acquisition costs	287,750	(57,288)	(50,000)	(62,288)
Deferred expenses	(316,904)	394,402	(167,117)	(178,137)
Deposit on mineral properties	-	-	-	120,029
	(29,154)	337,114	(217,117)	(120,396)
<b>Increase (decrease) in cash</b>	<b>310,409</b>	<b>326,289</b>	<b>135,902</b>	<b>430,574</b>
<b>Cash, beginning of period</b>	<b>59,258</b>	<b>195,351</b>	<b>233,765</b>	<b>91,066</b>
<b>Cash, end of period</b>	<b>\$ 369,667</b>	<b>521,640</b>	<b>369,667</b>	<b>521,640</b>

Transactions which did not result in cash flows have been excluded from financing and investing activities (Note 8).

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**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. (see Note 4).

Pursuant to a special resolution passed by shareholders April 13, 2005, the Company has consolidated its capital on a 10 old for 1 new basis and has subsequently increased its authorized capital. The name of the Company has not been changed.

Effective at the opening January 17, 2006, the shares of the Company commenced trading on TSX Venture Exchange on a consolidated basis under the new symbol “RSV”. The Company is classified as a 'Gold and Silver Mining' company.

The numbers of shares and issue prices per share in this financial statements and notes have been restated to reflect the share consolidation.

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**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.

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

a) Mineral properties and deferred exploration and development costs (cont'd)

*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*

The Company's policy relating to environmental protection and land rehabilitation programs is to charge to income any such costs incurred during the year. 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 three months ended November 30, 2005 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive. No adjustments were required to reported 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 INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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 INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES**

**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)
- 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, although the East Shoot Out exploration program had been completed to a very high technical standard, it had decided to discontinue its joint venture arrangement with Golden Valley. Accordingly, the Shoot Out property has been written off.

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES (cont'd)**

**Shoot Out Property: (cont'd)**

Costs related to the Shoot Out Property are as follows:

	Balance as at February 28, 2006	Additions (Recoveries) And (Write Offs)	Balance as at August 31, 2005
Acquisition costs:			
Shares (50,000 @ \$2.00)	\$ 100,000	-	100,000
Cash	187,750	-	187,750
Total acquisition costs	<u>287,750</u>	-	<u>287,750</u>
Deferred expenses:			
Advances for future exploration	-	-	-
Airborne	260,491	-	260,491
Camp site	233,250	-	233,250
Claims and maintenance	9,144	-	9,144
Consulting	2,888	-	2,888
Drilling, assaying, & overhead	100,048	-	100,048
Geology & field work	88,237	-	88,237
G&A, project management, and claim maintenance	188,975	-	188,975
Helicopter	198,234	-	198,234
Legal	15,917	-	15,917
Logistics	12,000	-	12,000
Total deferred expenses	<u>1,109,184</u>	-	<u>1,109,184</u>
Refundable tax credits and mining duties	<u>(488,198)</u>	-	<u>(488,198)</u>
Write-off of Shoot Out property			
Acquisition costs	(287,750)	-	(287,750)
Deferred expenses	(620,986)	-	(620,986)
Total property costs written off	<u>(908,736)</u>	-	<u>(908,736)</u>
<b>Total Mineral Property Deferred Costs</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>

**Ungava Acrex:**

During the year ended August 31, 2005, the Company entered into an agreement with Acrex whereby the Company will acquire a 100% interest in and to 150 mineral claims currently owned by Acrex. The claims consist of approximately 15,350 acres located in the Ungava area, Province of Quebec. The agreement was accepted for filing by the TSX Venture Exchange on July 5, 2005.

In consideration of the acquisition, the Company issued 50,000 of its common shares to Acrex and make cash payment of \$65,000.

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES (cont'd)**

**Ungava Acrex: (cont'd)**

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:

	<b>Balance as at February 28, 2006</b>	<b>Additions/ (Recoveries)</b>	<b>Balance as at August 31, 2005</b>
Acquisition costs:			
Shares	\$ 59,125	-	59,125
Cash	98,788	-	98,788
Total acquisition costs	<u>157,913</u>	-	<u>157,913</u>
Deferred exploration expenses:			
Camp site	42,519	-	42,519
Claim and maintenance	27,975	255	27,720
Consulting	11,328	2,584	8,744
G&A	12,977	380	12,597
Geophysical survey	106,389	-	106,389
Salaries and wages	2,364	2,465	-
Total deferred exploration expenses	<u>203,283</u>	<u>5,684</u>	<u>197,969</u>
Refundable tax credits and mining duties	<u>(77,307)</u>	-	<u>(77,307)</u>
<b>Total Mineral Property Deferred Costs</b>	<b>\$ 284,259</b>	<b>5,684</b>	<b>278,575</b>

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES (cont'd)**

**Ungava Ubex**

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:

	<b>Balance as at February 28, 2006</b>	<b>Additions/ (Recoveries)</b>	<b>Balance as at August 31, 2005</b>
Acquisition costs:			
Shares (50,000 @ \$2.00)	\$ 100,000	-	\$ 100,000
Cash	50,000	-	50,000
Total acquisition costs	<u>150,000</u>	-	<u>150,000</u>
Deferred exploration expenses:			
Camp site	47,665	-	47,665
Claim and maintenance	39,508	255	39,253
Consulting	10,172	2,584	7,588
G&A	11,487	380	11,107
Geophysical survey	118,084	-	118,084
Salaries and wages	2,452	2,452	-
Total deferred exploration expenses	<u>229,368</u>	5,671	<u>223,697</u>
Refundable tax credits and mining duties	<u>(87,279)</u>	-	<u>(87,279)</u>
<b>Total Mineral Property Deferred Costs</b>	<b>\$ 292,089</b>	<b>5,671</b>	<b>286,418</b>

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES (cont'd)**

**Ungava Scott:**

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 situated south of the Company's Shoot Out Property, Acrex Joint Venture and the claims purchased from Ubex and Menace Capital. To acquire a 100% interest in the claims, the Company must pay \$50,000 in cash and issue 10,000 shares on Exchange approval. The TSX Venture Exchange approved the transaction on February 4, 2004. The \$50,000 has been paid and the 10,000 shares have been issued.

Costs related to the Ungava Scott Property are as follows:

	Balance as at February 28, 2006	Additions/ (Recoveries)	Balance as at August 31, 2005
Acquisition costs:			
Shares (10,000 @ \$2.00)	\$ 20,000	-	\$ 20,000
Cash	50,000	-	50,000
Total acquisition costs	<u>70,000</u>	-	<u>70,000</u>
Deferred exploration expenses:			
Camp site	15,888	(100)	15,988
Claims & maintenance	63,782	48,456	15,326
Consulting	11,892	3,735	8,157
G&A	13,797	3,189	10,608
Geophysical survey	35,417	-	35,417
Salaries and wages	2,451	2,451	-
Total deferred exploration expenses	<u>143,227</u>	<u>57,731</u>	<u>85,496</u>
Refundable tax credits and mining duties	<u>(33,057)</u>	-	<u>(33,057)</u>
<b>Total Mineral Property Deferred Costs</b>	<b>\$ 180,170</b>	<b>57,731</b>	<b>122,439</b>

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES (cont'd)**

**Klu Property:**

On September 8, 2005, the Company announced that it had entered into an agreement to acquire 100% of the Klu Property, a Nickel-Copper-Platinum Group Element (“Ni-Cu-PGE”) target, located in Southwestern Yukon. The Company would acquire 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 on September 13, 2005 and issued 119,047 common shares to Inco at \$0.42 per share on September 12, 2005.

Costs related to the Klu Property are as follows:

	<b>Balance as at February 28, 2006</b>	<b>Additions/ (Recoveries)</b>	<b>Balance as at August 31, 2005</b>
Acquisition costs:			
Shares (119,047 @ \$0.42)	\$ 50,000	50,000	\$ -
Cash	50,000	50,000	-
Total acquisition costs	<u>100,000</u>	100,000	-
Deferred exploration expenses:			
Airborne	18,185	18,185	-
Assays	1,823	1,823	-
Camp and fieldwork	11,328	11,328	-
Claims & maintenance	4,730	4,730	-
Consulting	45,740	45,740	-
G&A	14,419	14,419	-
Equipment	340	340	-
Site visits	278	278	-
Total deferred exploration expenses	<u>96,843</u>	96,843	-
<b>Total Mineral Property Deferred Costs</b>	<b>\$ 196,843</b>	<b>196,843</b>	<b>-</b>

**RESOLVE VENTURES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2006**

**4. MINERAL PROPERTIES (cont'd)**

**Summary of Mineral Properties:**

	Balance as at February 28, 2006	Additions/ (Recoveries) And (Write Offs)	Balance as at August 31, 2005
Acquisition costs	\$ 765,663	100,000	665,663
Deferred exploration costs and advances:	1,782,275	165,929	1,616,346
Write-off Shoot Out property	(908,736)	-	(908,736)
Mineral property tax credits and incentives	(684,653)	1,188	(685,841)
<b>Total Mineral Property Deferred Costs</b>	<b>\$ 954,549</b>	<b>267,117</b>	<b>687,432</b>

**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:

2004 Quebec Corporate Tax Credit (received)	\$ 331,841
2005 Quebec Corporate Tax Credit	<u>242,155</u>
Total	<u>573,996</u>
2004 Quebec mining duties credit	64,726
2005 Quebec mining duties credit	<u>45,931</u>
	<u>110,657</u>
Total refundable tax credits and mining duties	<u>\$ 684,653</u>

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

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**5. CONVERTIBLE PROMISSORY NOTES**

	<u>2006</u>	<u>2005</u>
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>32,640</b>	28,560
	<b>\$ 121,898</b>	\$ 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.

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.

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**6. CAPITAL STOCK AND SHAREHOLDERS' EQUITY**

a) Common Shares

Authorized: unlimited common shares without par value, effective from May 4, 2005.

	<b>NUMBER OF SHARES</b>	<b>AMOUNT \$</b>
Balance, September 1, 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
Share issue costs:		
- Financing fee	-	(8,068)
- Commission	-	(11,115)
	-	(19,183)
Flow-through share tax recovery	-	(85,248)
	5,721,836	7,736,649
Balance, February 28, 2006	5,721,836	\$ 7,284,830

b) Private Placements

On February 28, 2006 the Company announced that it had completed its previously announced non-brokered private placement. The Company has issued 2,875,000 units of (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 (2) years from the closing date of the private placement at an exercise price of \$0.25. The Shares and Warrant Shares are subject to a four- month hold period expiring on May 26, 2006.

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**6. CAPITAL STOCK AND SHAREHOLDERS' EQUITY (cont'd)**

b) Private Placements (cont'd)

The proceeds from the offering will be added to working capital and will be used to finance further exploration on the KLU property as well as to maintain the Company's Raglan properties in Northern Quebec.

c) Warrants Outstanding

<b>Exercisable Into Number of Common Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
303,615	\$1.50	August 17, 2006
135,600	\$2.00	August 17, 2006
222,585	\$1.50	September 27, 2006
56,350	\$2.00	September 27, 2006
19,665	\$1.80	October 20, 2006
800,000	\$1.00	February 27, 2007
2,875,000	\$0.25	January 24, 2008
4,412,815		

d) 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 six months ended February 28, 2006, there were no stock options granted, exercised or outstanding for the purchase of common shares.

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**7. 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 six months ended February 28, 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	\$ 12,600	\$ 18,000
Fees for consulting services	\$ 4,500	\$ 3,000
Management and consulting fees allocated to deferred exploration costs	\$ 9,700	\$ 4,250
Website maintenance	\$ 2,000	\$ -

Accounts payable and accrued liabilities include \$12,291 (2005 - \$16,339) owing to companies related by virtue of common directors for expenses incurred by the related companies on behalf of the Company.

**8. NON-CASH TRANSACTIONS**

During the six months ended February 28, 2006, 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>Feb. 28, 2006</u>	<u>Feb. 28, 2005</u>
• 7,500 common shares issued at \$1.50 per share in respect of Ungava Acrex property acquisition payment	\$ -	\$ 11,250
• 119,047 common shares issued at \$0.42 per share in respect of Klu property acquisition payment	50,000	-
• Renunciation of exploration expenditures through flow-through shares	85,248	215,481-
	<u>\$135,248</u>	<u>\$226,731</u>

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**9. FINANCIAL INSTRUMENTS**

The Company has estimated the fair value of its financial instruments, which consist of cash, accounts receivable, 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 5 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.