

ANDOVER VENTURES INC.
(A Development Stage Company)

Consolidated Financial Statements

JUNE 30, 2005

The accompanying unaudited interim financial statements of Andover Ventures Inc. for the period ended June 30, 2005 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's independent auditors.

ANDOVER VENTURES INC.

(A Development Stage Company)

Balance Sheets

(In Canadian Dollars)

(Unaudited)

	June 30, 2005	March 31, 2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 164,129	\$ 224,133
Marketable securities	95,610	113,221
GST receivable	419	-
	<u>\$ 260,158</u>	<u>\$ 337,354</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,139	\$ 14,442
Due to broker and margin account -secured	49,878	57,332
	<u>59,017</u>	<u>71,774</u>
SHAREHOLDERS' EQUITY		
Capital Stock (Note 4)		
Authorized: 200,000,000 common shares without par value; 50,000 Class A preferred shares without par value; and 50,000 Class B preferred shares without par value		
Issued and fully paid: 3,665,000 common shares	573,000	573,000
Shares subscribed but unissued	30,000	30,000
Contributed surplus	16,998	16,998
Deficit, accumulated during the development stage	(418,857)	(354,418)
	<u>201,141</u>	<u>265,580</u>
	<u>\$ 260,158</u>	<u>\$ 337,354</u>

Approved by the Directors:

"Frank R. Underhill"

Frank R. Underhill, *Chief Executive Officer and Director*

"Walter Brenner"

Walter Brenner, *Chief Financial Officer and Director*

ANDOVER VENTURES INC.

(A Development Stage Company)

Income Statements

(In Canadian Dollars)

(Unaudited)

	Three Months Period Ended June 30,	
	2005	2004
INTEREST AND OTHER INCOME	\$ <u>376</u>	\$ <u>247</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting fees	500	2,920
Audit fees	1,820	-
Consulting fees	36,250	86,539
Interest and bank charges	1,503	92
Office expense	1,744	3,757
Telephone	732	907
Transfer agent and filing fees	714	23
Travel and promotion	<u>12,820</u>	<u>8,614</u>
	<u>56,083</u>	<u>102,852</u>
LOSS BEFORE THE OTHER ITEMS	(55,707)	(102,605)
Loss on marketable securities	<u>(8,732)</u>	<u>-</u>
NET LOSS FOR THE PERIOD	<u>(64,439)</u>	<u>(102,605)</u>
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	<u>3,665,000</u>	<u>2,500,000</u>
Diluted	<u>3,665,000</u>	<u>2,500,000</u>

ANDOVER VENTURES INC.
(A Development Stage Company)
Statement of Retained Earnings (Deficit)
(In Canadian Dollars)
(Unaudited)

	Three Months Period Ended June 30,	
	2005	2004
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	\$ (354,418)	\$ (171,484)
NET PROFIT (LOSS) FOR THE PERIOD	<u>(64,439)</u>	<u>(102,605)</u>
RETAINED EARNINGS (DEFICIT), END OF PERIOD	<u>(418,857)</u>	<u>(274,089)</u>

ANDOVER VENTURES INC.

(A Development Stage Company)

Statement of Cash Flows

(In Canadian Dollars)

(Unaudited)

	Three Months Period Ended June 30,	
	2005	2004
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Loss for the period	\$ (64,439)	\$ (102,605)
Non-Cash Items:		
Loss on marketable securities	8,732	-
Changes in non-cash working capital items:		
Accounts receivable	(419)	2,309
Accounts payable and accrued	(5,303)	2,593
Cash used for operating activities	<u>(61,429)</u>	<u>(97,703)</u>
FINANCING ACTIVITIES		
Due to broker on margin-secured	<u>(7,454)</u>	<u>-</u>
Cash derived from financing activities	<u>(7,454)</u>	<u>-</u>
INVESTING ACTIVITIES		
Marketable securities	<u>8,879</u>	<u>1,193</u>
Cash used for investing activities	<u>8,879</u>	<u>1,193</u>
CASH INCREASE (DECREASE), DURING THE PERIOD	(60,004)	(96,510)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>224,133</u>	<u>370,384</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>164,129</u>	<u>273,874</u>

ANDOVER VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
(A Development Stage Company)
June 30, 2005
(In Canadian Dollars)
(Unaudited)

NOTE 1. BUSINESS OF THE COMPANY

Andover Ventures Inc. ("The Company") is incorporated under the Laws of British Columbia, Canada on February 12, 2003, and is the date of inception of the Company.

The Company is a Capital Pool Company pursuant to TSX Venture Exchange policy and currently has no business operations. Accordingly, the deficit has been accumulated during the development stage.

NOTE 2. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements should be read in conjunction with the Company's annual audited financial statements as at and for the year ended March 31, 2005. All materials adjustments which, in the opinion of management, are necessary for fair presentation of the results for the interim period have been reflected. The results for the three months ended June 30, 2005 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicate of the results to be expected for the full year.

NOTE 3. CAPITAL STOCK

(a) Authorized: 200,000,000 common shares without par value; 50,000,000 Class A preferred shares without par value; and 50,000,000 Class B preferred shares without par value.

(b) Issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, March 31, 2005 and June 30, 2005	3,665,000	\$573,000

(c) Stock Options

As at June 30, 2005, 250,000 options to purchase common shares of the Company were outstanding.

(d) Escrow shares

The 1,000,000 common shares in (a) above are held in escrow subject to release based upon terms of escrow agreements and approvals of regulatory authorities.

NOTE 4. TRANSACTIONS WITH RELATED PARTIES

During the period ended June, 2005, the Company paid consulting fees of \$11,750 (2004 - \$Nil) to a company controlled by a director and officer of the Company.