Resilient Resources Ltd.

2005 Q2 Management's Discussion & Analysis

The unaudited financial statements of Resilient Resources Ltd. for the six month period ended June 30, 2005 to which the MD&A relates have not been reviewed by an auditor.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis is management's assessment of the historical financial and operating results of Resilient Resources Ltd. (formerly K2 Energy Corp.) (the "Company" or "Resilient) and should be read in conjunction with the unaudited comparative consolidated financial statements of the Company for the quarter ended June 30, 2005, together with the notes thereto all of which has been prepared in accordance with Canadian generally accepted accounting principles and in conjunction with the Management's Discussion and Analysis relating to the consolidated financial statements for the year ended December 31, 2004. Readers should be aware that the following discussion and analysis relates in part to the period ended June 30, 2004. For a discussion relating to each of the following topics: critical accounting estimates by the Corporation, contractual commitments, and changes in accounting standards, please refer to Management's Discussion and Analysis and financial statements for the year ended December 31, 2004.

The date of this Management's Discussion and Analysis is August 11, 2005.

Additional Information relating to the Corporation, including the Management's Discussion and Analysis and financial statements for the year ended December 31, 2004 and the latest Annual Information Form filed by the Company, is available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This disclosure includes forward-looking statements and assumptions respecting the Company's strategies, future operations, expected financial results, financing sources, commodity prices, costs of production and quantum of oil and natural gas reserves and discusses certain issues, risks and uncertainties that can be expected to impact on any of such matters.

By their nature, forward-looking statements are subject to numerous risks and uncertainties that can significantly affect future results. Actual future results may differ materially from those assumed or described in such forward-looking statements as a result of the impact issues, risks and uncertainties whether described herein or not, which the Company may not be able to control. The reader is therefore cautioned not to place undue reliance on such forward-looking statements.

The Company disclaims any intention or obligation to update or revise these forward-looking statements, as a result of new information, future events or otherwise.

OVERALL PERFORMANCE

During the second quarter of 2005, the Company continued its restructuring efforts, recapitalization plan, and preliminary exploration activities. At the Annual and Special Shareholders meeting on May 17, 2005, the Company received shareholder approval to move forward with several transactions aimed at proceeding with exploration activities on its large land base in northern Montana along with pursuing additional oil and gas activities in Alberta.

Corporately, the Company focused on negotiations with the holders of several series of Senior and Subordinate Debentures to provide for the conversion of this debt, amounting to approximately $4.4 million, to establish a clean balance sheet. Agreements were made with these debt holders in early August for the conversion of substantially all debt at a price of $0.75 per share. This debt elimination allows the Company to proceed with a planned recapitalization transaction for approximately $2 to $3 million. If successful, the restructuring efforts will have been substantially complete and will result in a capitalized, debt-free vehicle with approximately 12 million shares outstanding, a large exploration land base with immediately drillable high-impact prospects, and sizable tax losses in both Canada and the United States.

Operationally, Resilient has focused on the finalization of regulatory approvals for the shooting of a 4 mile 2D seismic confirmation line and licenses for two exploration wells. These planned wells have been defined through a detailed geological and geophysical assessment and have been located over multi-zone target horizons. A drill rig has been secured for the later half of August 2005 to begin the drilling of these new exploration wells. Target horizons included Madison Carbonates, Moulton (Glauconite) channel sands, Cut Bank sandstones, and shallower gas potential in the Bow Island and Belle Fourche sandstones. If successful, these targets could provide extensive “follow-up” drilling across the Company’s large land base.

RESULTS OF OPERATIONS

During the quarter the Company’s oil and gas activities again focused entirely on the Blackfeet Reservation in northern Montana where operations continued in the pre-production stage with preliminary ongoing exploration and development work. In March, 2005 the Company began focusing their exploration activities exclusively on the 100,000 acres of Eastern Tribal lands as the 150,000 acres of Western tribal lands was surrendered to the Tribe. Commercial production has not commenced and, accordingly, all costs incurred in the area totaling $1,017,000 for the six months ended June 30, 2005 have been capitalized compared with costs of $2,029,000 for the corresponding period in 2004. For the six months ended June 30, 2005 operating expenses(net of revenues) of $108,600 were capitalized compared with operating expenses (net of revenues) of $156,000 for the corresponding period in 2004.

The Company recorded a consolidated loss of $859,016for the six months ended June 30, 2005 compared with a loss of $931,000 for the corresponding period in 2004.

Overhead costs for the six months ended June 30, 2005 totaled $514,000, of which $208,500 related to exploration and development activities and have been capitalized. Overhead costs for the corresponding period in 2004 totaled $527,000 of which $277,000 was capitalized.

Interest expense on the Company's outstanding debentures totaled $184,000 for the six months of 2005 compared with $169,000 for the corresponding period in 2004.

Effective March 1, 2005 the net revenues from the Companies producing oil wells was assigned to Aquilon Capital Corp. as a result the Company's monthly net overhead expense will increase by approximately $20,000 per month which represents the net revenue forgone in exchange for a reduction in the debenture due to Aquilon.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

The financial results of the Company have been and will continue to be significantly affected by a number of corporate financings, and property transactions that were completed during the first six months of 2005. These transactions are summarized below:

a) On February 7, 2005 the Company signed a Release and Settlement Agreement with a drilling service company and in settlement issued a promissory note for $205,000 US due and payable by December 31, 2005 and bearing interest at a rate of 5% per annum. As at June 30, 2005, the Company has recorded the $205,000 owing in accounts payable and accrued liabilities.

b) Under the terms of the "Third Amended Oil and Gas Exploration Agreement" signed by the Blackfeet Tribe in March, 2005 the Company's outstanding obligations and future exploration rights relating to the Western lands have been terminated. The company continues to retain its exploration rights and commitments relating to the Eastern Lands. However, the Company's pending drilling obligation of 2 wells on the Eastern Lands has been extended to September 1, 2005. This extension from April to September applies as well to the drilling commitments in the following 2 years, but does not apply to 2008. The commitment of an annual rental fee of $300,000 US remains unchanged. Accordingly, the Company paid the Blackfeet Tribe on April 18, 2005 a total amount of $550,000 US, which was comprised of the annual rental fee of $300,000 US for the Eastern Lands, and an additional $250,000 US relating to the termination of the Company's commitments for the Western lands and the extension of the drilling obligation on the Eastern Lands.

c) Pursuant to the terms of an agreement with Aquilon Capital Corp. (formerly the MMI Group Inc.) dated March 10, 2005, the terms of repayment of the 10% secured debenture in the amount of $1,971,575 plus accrued interest have been revised. Under the terms of the new agreement, Aquilon has agreed to settlement of a portion of the debenture ranging from a minimum of $800,000 to a maximum of $971,574 in return for an assignment of the net revenues for the life of the production from the Company's producing oil and gas wells in the Palmer/Tesoro Unit and the Kye Trout Field. The final amount of the debenture settled will be calculated at four times the annualized net revenues over a 90-day period commencing March 1, 2005. As at June 30, 2005 the Company has reduced the principal and accrued interest balances payable on the debenture by $800,000 and will adjust this amount if necessary after the finalization of amounts for the 90 day calculation period which terminates at the end of May, 2005. The company has also reduced the carrying value of its oil and gas properties by $800,000. In settlement of the remaining portion of the debenture of $1,220,189, Aquilon took a senior secured convertible debenture ranking equally on all security privileges with the April, 2005 financing (see paragraph (d) below), bearing an interest rate of 10% per annum, interest payable quarterly in cash or common shares, maturing on April 22, 2006 and convertible at the option of the holder into common shares of the Company at any time prior to maturity at $1.50 (pre consolidation $0.05) per share. The amount of the final debenture will be adjusted between $1 million and $1.220 million according to the finalization of calculation of the four times annualized net revenues of the oil production. The debenture is also redeemable by the Company, with payment in common shares at a price of $0.75 per share (see item f below). The redemption privilege of the Company is at the time of the next corporate financing, subject to raising a minimum of $750,000 at a price of $0.65 per share or greater.

d) In April 2005, the Company raised $1,970,000 (net $1,793,000 after agent's commission) through the issue of 1,970 debentures at a price of $1,000 each. The debentures mature on April 30, 2006 and bear an interest rate of 10% per annum, payable quarterly in cash or common shares. The notes are secured by a specific assignment of K2 Americas Corporation's US properties and rank equally on all security privileges associated with the Aquilon senior secured debenture. Each $1,000 debenture is convertible into 667 (20,000 pre consolidation) common shares and includes 667 (20,000 pre consolidation) bonus warrants exercisable into common shares at a price of $1.50 ($0.05 pre consolidation) per share until April 30, 2006. In aggregate, the total issue of 1,970 debentures is convertible into 1,313,334 (39,400,000 pre-consolidation) common shares and resulted in the issue of 1,313,334 (39,400,000 pre consolidation) bonus warrants. In addition the selling agent has been paid a commission of $177,300 and been issued 118,200 (3,546,000 pre consolidation) warrants exercisable into common shares at a price of $1.50 ($0.05 pre consolidation) per share until April 30, 2006. The proceeds from the debenture financing are to fund land payments and working capital.

e) At the Annual General and Special meeting on May 17, 2005 shareholders approved the following two special resolutions that effected the Company's Share Capital:
    1.) Share Consolidation: to amend the Articles of the Company to consolidate the Common shares on a thirty to one basis. At June 30, 2005 the company had 2,851,571 shares outstanding.
    2.) Reduction of Stated Capital: the Company's stated capital attributable to its Common Shares be reduced by the accumulated deficit as at December 31, 2004 of $38,064,016. At June 30, 2005 the Company's Capital Stock account had a balance of $535,293.

f) In early August 2005, the Company entered into an agreement with substantially all the holders of the 10% Secured Convertible Debentures in the principal amount of $1,450,000 and $1,970,000 maturing respectively June 30, 2006 and April 30, 2006 to convert into equity by way of issuing 1,333 common shares for each $1,000 debenture. Also the debenture holders agreed to cancellation of their rights under related warrants originally issued with the debentures. Subsequently, the holders of the Aquilon 10% $1.220 million debenture have also agreed to convert to equity under the same terms, 1,333 common shares for each 1,000 debenture. They have agreed to convert a percentage of their total debentures equal to an equivalent pro-rata percentage based on the total conversion by the other two debt holders ($1.45 and $1.97 million). If all holders of the debentures for the three debt issues convert to equity, in aggregate the Company will issue between 5,893,333 to 6,186,919 Common Shares to convert the total debt of $4,420,000 to $4,640,189, subject to final calculation of the Aquilon Debenture. In addition, the agent that managed and solicited the debenture conversions will be paid a commission of $85,500 and the Company will issue 166,000 broker warrants exercisable into Common Shares at a price of $0.75 per share until July 31, 2006.

LIQUIDITY – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon it raising additional debt or equity financing and/or the completion of joint venture arrangements with third parties in order to pay overhead costs, continue the exploration and development of its properties and ultimately achieve commercial production.

The Company is subject to certain fluctuations and trends, such as market conditions, interest rate levels, commodity prices, and industry conditions which could affect its ability to raise the necessary capital to remain as a going concern. The current commodity price environment has resulted in buoyant market conditions for oil and gas focused companies, however, a significant decrease in commodity prices could have a negative effect. In addition, the Company remains focused on exploration of oil and gas prospects and the results of drilling these prospects could materially affect the Company's ability to raise additional capital.

The Company's working capital requirements remain significant due to its contractual obligations under its agreement with the Blackfeet Tribe. The Company plans to meet its exploration and development expenditures and overhead costs through the raising of additional debt or equity financing and/or the completion of joint venture partnerships with third parties. If the Company is unable to meet its contractual obligations under the K2/Blackfeet Exploration Agreement, the Agreement could be subject to cancellation, and the Company would loose its major asset.

During the first six months of 2005, the Company's liquidity position was affected by the following agreements, debt restructuring and debt financings, which are outlined in summary form below and can be referenced to a more detailed description under "Major Transactions Affecting Financial Results".

- The Company substantially reduced its commitments to the Blackfeet Tribe by signing the Third Amended Agreement in March, 2005. Under the terms of the Third Amended Agreement the Company's exploration rights and commitments relating to the 150,000 acres of Western Lands have been terminated. The Company continues to maintain its exploration rights in the Eastern lands along with its annual commitments of a $300,000 US lease payment and the drilling of two wells. In addition, the Company is required to pay to the Tribe a one-time payment of $250,000 US as a result of the amendment and revised terms.
- Pursuant to the terms of an agreement with Aquilon Capital Corp effective March 1, 2005 the Company assigned its net oil revenues to Aquilon, for the life of the production, and as consideration Aquilon discharged a portion of the $1.971 million 10% debenture the amount of the discharge estimated as at June 30, 2005

is $800,000. The remainder of the debt of $1.220 million was converted to a 10% senior secured convertible redeemable debenture and will be adjusted accordingly to a minimum of $1 million following the finalization of the calculation of four times annualized net revenue based on a 90 day period commencing March 1, 2005. As a result of this agreement, the Company's monthly net overhead expense will increase by approximately $20,000 as in past months the offset from net oil revenues reduced the monthly overhead expense.

- In April, 2005 the Company issued 1,970 secured senior convertible debentures at $1,000 each and received net proceeds of $1,792,700. The funds from this financing were used to make the Tribal payment of $686,675 ($550,000 US) due on April 18, 2005, pay outstanding trade payables and ongoing overhead.
- In early August 2005, the Company entered into an agreement with substantially all of its debt holders of the 10% Secured Convertible Debentures in the principal amount of $1,450,000, $1,970,000 and $1,000,000 to $1,220,189 (Aquilon debt) maturing respectively June 30, 2006, April 30, 2006 and April 22, 2006 providing for the conversion of these Debentures at a deemed price of $0.75 by issuing 1,333 common shares for each $1,000 debenture.

As at the date of this report, the Company's ability to continue as a going concern is dependent on it raising sufficient capital, to pay ongoing overhead expenses and the drilling costs for the 2 well drilling commitment on the Eastern Lands or find a suitable joint venture partner willing to drill the wells in return for an interest in the acreage.

To maintain its exploration rights on the Eastern tribal acreage the Company must spud two wells on the lands by September 1, 2005. Failure to meet its commitment could result in loss of the Eastern Lands, which represents the Company's entire asset base.

The Company continues to incur substantial costs associated with its exploration and development activity on the Blackfeet Indian Reservation along with ongoing working capital requirements and debt servicing. The Company continues to seek equity or debt financing and/or joint venture partnerships to remain as a going concern. If the Company is unsuccessful in obtaining such financing or joint ventures it could have a material adverse affect on the Company and its equity and/or debt holders.

CASH FLOW FROM OPERATIONS

The Company currently is in the pre-production stage of exploration and development and thus all costs associated with the exploration and development of its properties are capitalized.

OUTSTANDING SHARE DATA

The common shares of Resilient Resources Ltd. trade on the Toronto Stock Exchange under the symbol "RRL". The following table summarizes the common shares issued during 2005, 2004, 2003, and 2002, which are the only class of share outstanding.

	Common Shares
Balance at December 21, 2001	42,851,513
Exercise of Options	33,333
Private Placements	9,414,485
Balance at December 31, 2002	52,299,331
Exercise of Options	-
Private Placements	10,544,771
Treasury Shares	(406,100)
Balance at December 31, 2003	62,438,002
Exercise of Options	-
Rights offering	7,491,618
Private placement – debt conversion	11,487,520
Private placement – debt extension	2,220,000
Interest on 10% Conv Sec Debenture	703,985
Balance at December 31, 2004	84,341,125
Interest on 10% Conv Sec Debebture	712,152
Balance at May 17, 2005 (pre consolidation)	85,053,277
Share Consolidation (30 shares to 1 share)	(82,218,109)
Balance at May 18, 2005 (post consolidation)	2,835,168
Interest on 10% Conv Sec Debenture	16,403
Balance at June 30, 2005	2,851,571

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

The Company continues to incur substantial capital expenditures as required to meet its obligations under the K2/Blackfeet Indian Mineral Development Agreement (see "Commitments and Contingencies").

Costs incurred by the Company in respect of land acquisition and retention, exploration and development activities, including the capitalization of exploration overhead and pre-production operating expenses (net of operating revenues), and disposition of properties for each of the last two years are summarized as follows:

For six months ended June 30th	**2005**	**2004**
	$	**$**
Land acquisition and retention	704,096	1,288,360
Exploration and development, including exploration overhead and pre-production operating expenses	313,135	1,647,650
Disposition of oil and gas properties	(800,000)	-
	217,231	2,936,010

The Company's oil and gas operations are conducted solely in the US and are regarded to be in the pre-production stage as exploration and development work continues and planned principal operations have not commenced. Accordingly, all costs incurred in this cost centre have been capitalized and will commence to be amortized once commercial production levels have been attained or written-off if permanent impairment in value has been determined. Minor revenues are offset against capitalized costs until commercial production has commenced.

In 2004, the Company wrote down the carrying value of its oil and gas properties by $11.802 million. The majority of the remaining value is the exploration rights in the 100,000 acres of Eastern Tribal Lands. The Company retained an independent firm in the business of appraising oil and gas properties, to assign a fair value to the Company's properties. As at December 31, 2004 the independent firm assigned a fair value of $4.5 million to the Company's exploration rights in the 100,000 acres of Eastern Tribal Lands.

As at June 30, 2005 the Company's carrying value of its oil and gas properties has been reduced by $800,000 which relates to the assignment of the Company's net revenues from its producing oil and gas wells to Aquilon Capital Corp. Also, the Company's carrying value of its oil and gas properties has increased by $687,000 ($550,000 US) which relates to the land payment to the Blackfeet Tribe April 18, 2005 plus exploration and development costs and capitalization of overhead. Management has reviewed the carrying value of $4,730,216 of its unproven oil and gas properties as at June 30, 2005 and believes there has been no occurrences since year end 2004 that would materially impair the carrying value.

SELECTED QUARTERLY INFORMATION

	2005		*Year ended December 31, 2004*				*Year ended December 31, 2003*	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Interest Income	-	-	-	-	-	1,635	4,686	5,628
Expenses								
General and administrative	165,196	140,379	140,895	112,182	125,752	123,700	203,673	80,853
Debenture interest	105,972	78,383,-	85,658	69,161	46,651	122,044	122,943	124,150
Deemed interest expense	-	-	-	-	184,808	-	28,539	28,539
Depreciation and amortization	180,258	177,088	177,220	151,216	259,775	38,162	38,163	38,146
Write-Down of oil & gas properties	-	-	11,802,729	-	-	-	-	-
Net loss per common share	(0.16)	(0.34)	(4.79)	(0.12)	(0.25)	(0.14)	(0.20)	(0.14)

CONTRACTUAL COMMITMENTS

Contractual Obligations	Payments Due by Period – June 30, 2005				
	Total	Less than 1 year	1 – 3 Years	4 – 5 years	After 5 years
Long term debt (2)(3)(4)	4,640,189	4,640,189		-	
Capital Lease Obligations					
Operating Leases	128,912	38,045	77,886	12,981	
Purchase Obligations					
Other Long Term Obligations (1) (5)	1,119,654	373,218	746,436		
Total Contractual Obligations	5,888,755	5,051,452	824,322	12,981	

(1) Under the terms of the first Amended Agreement to an exploration agreement originally signed with the Blackfeet Tribe in 1997, the Company is committed to pay to the Tribe an annual lease rental payment of $300,000 US on April 18, 2006, 2007 & 2008 to maintain the Eastern lands.

(2) Effective March 1, 2005 the Company assigned the net revenues from its producing oil and gas wells to Aquilon Capital Corp. in return for settlement of a portion of the debenture due to Aquilon. The remaining portion of the debenture was converted to a senior secured debenture convertible into common shares of the Company at either the holders or the Company's option and due April 22, 2006 and as more fully described in note 5 of the Consolidated Financial Statements as at June 30, 2005 and under the section heading "Major Transactions Affecting Financial Results" of this document.

(3) In August 2004, The Company issued convertible secured debentures for gross proceeds of $1,450,000. The debentures mature on June 30, 2006. The debentures are convertible into 296,875 (8,906,250 pre share consolidation) common shares

and the Company issued 296,875 (8,906,250 pre share consolidations) bonus warrants to debenture holders. As more fully described in note 7 of the Consolidated Financial Statements as at December 31, 2004.

(4) In April 2005, the Company issued convertible secured debentures for gross proceeds of $1,970,000. The debentures mature on April 30, 2006. The debentures are convertible into 1,313,334 common shares and the Company issued 1,313,334 bonus warrants to debenture holders. As more fully described in note 5 of the Consolidated Financial Statements as at June 30, 2005 and under the section heading "Major Transactions Affecting Financial Results" of this document.

(5) All future commitments in US dollars converted at 1.24406 exchange rate calculated as the average exchange rate for the second quarter of 2005.

(6) The above data does not include cost associated with the Company's drill obligations with the Blackfeet Tribe. Please see "Commitments and Contingencies" of this document for further discussion as to these drilling obligations and their estimated associated costs.

Commitments and Contingencies

a) Exploration Commitments

The Company holds its exploration rights on the Reservation under the terms of an exploration agreement originally signed with the Blackfeet Tribe in 1997 (the "Original Agreement") and subsequently three Amending Agreements have been made as follows:

1) First Amended Agreement, January 2003 – assigns the Company exploration rights in the 100,000 acres of Eastern Tribal lands.
2) Second Amended Agreement, June 2004 – deals with clarification of certain terms and commits the Company to pay an annual rental payment of $450,000 on April 18, 2004, 2005 and 2006. These payments relate to the 150,000 acres of Western Tribal lands.
3) Third Amended Agreement, March 2005 – deals with the Company surrendering the 150,000 acres of Western Tribal lands.

Under the Original Agreement, the Company was obligated to drill 9 wells, three per year over the remaining three years commencing April 18th, 2003, (the remaining "Exploration Phase") to earn the right to convert to a 5-year oil and gas lease (the "Development Phase") a total of 150,000 tribal mineral acres. These obligations relate to the Western lands which were surrendered in March 2005.

Under the terms of the First Amended Agreement, the Company paid a $1,000,000 US land bonus to the Blackfeet on April 23, 2003, in consideration for the exploration rights to an additional 100,000 tribal mineral acres (Eastern Lands) to be earned through the drilling of 10 wells, two per year over a five-year period between April 18th, 2003 through April 18th, 2008 ("Exploration Phase").

The outstanding Drilling Commitment as at March 31, 2005 can be summarized as follows:

a) A total of eight wells, two wells per year for the last four years of the "Exploration Phase", both wells to be drilled on the Company's Eastern Land Block.

The Company has adopted a corporate strategy of seeking out and identifying joint venture partners to share in or absorb the capital cost of the above drilling commitments. If no joint venture partners can be identified for these drilling commitments, the Company will be obligated to incur such costs and such costs could be substantial.

Recent capital costs for drilling in the immediate area of the Company's assets have ranged from $100,000 to $200,000 US per well for depths ranging from 2,000 to 2,500 feet. The Company estimates costs for its upcoming drill program between $250,000 to $380,000 US for wells ranging between 1800 and 4000 feet.

Under the terms of the First Amended K2/Blackfeet Agreement, the Company is also obligated to pay a $3.00 US per acre annual rental commencing in years two through five of Exploration Phase for the additional 100,000 tribal mineral acres under the Amended Agreement.

Under the terms of the "Third Amended Oil and Gas Exploration Agreement" signed by the Blackfeet Tribe on March, 2005 the Company's outstanding obligations and future exploration rights relating to the Western lands have been terminated. The company continues to retain its exploration rights and commitments relating to the Eastern Lands. However, the Company's pending drilling obligation of 2 wells on the Eastern Lands has been extended to September 1, 2005 this extension from April to September 1 applies as well to the drilling commitments in the following 2 years, but does not apply to 2008. The commitment of an annual rental fee of $300,000 US remains unchanged. Accordingly, the Company was obligated to pay to the Blackfeet Tribe by April 18, 2005 a total amount of $550,000 US, which comprises the annual rental fee of $300,000 US for the Eastern Lands, and an additional $250,000 US relating to the termination of the Company's commitments for the Western lands and the extension of the drilling obligation on the Eastern Lands. The Company made the required $550,000 US payment on April 18, 2005.

Following the completion of the drilling obligations and the expiration of the respective "Exploration Phase" of the agreement in 2008, the Company will become obligated to pay an annual rental of $2.00 US per acre commencing on the first anniversary date of the expiration of the respective "Exploration Phase" for any of the exploration acreage covered under the Original or Amended Agreement that has been converted to 5-year oil and gas leasehold interests by the Company, except for those leases that are held by oil and gas production from the property.

In the event that the Company fails to comply with its obligations as outlined above, particularly its drilling obligations, it could be required within five days of receipt of written notification from the Blackfeet Tribe of the Company's failure to comply, to surrender and relinquish all of the subject lands outside of the spacing units established for any producing or capable of producing wells that were drilled and completed prior to the failure of the Company to timely comply with the well obligations. This potential requirement under the agreement for surrender of acreage currently would account for the majority of the Company's existing assets. The Company may, however, make requests for extensions to its drilling commitments provided that said extensions shall not exceed one year and the request is not unreasonable. The Blackfeet Tribe may not unreasonably withhold its consent to the Company's requests for extensions provided that requests are not made based on economic or financial need or necessity.

In the event of certain commercial gas discoveries, the Company and/or its joint venture partner(s) may be required to incur considerable costs associated with the construction of pipelines and related gathering and production facilities. The Company's calculated maximum distance to an existing gas sales line is 22 miles in the Eastern Land Block.

The above referenced capital requirements are significant due to its contractual obligations under its agreement with the Blackfeet Tribe. The Company plans to meet its exploration and development expenditures and overhead costs through the raising of additional debt or equity financing and/or the completion of joint venture partnerships with third parties. If the Company is unsuccessful in obtaining such financing or joint ventures it could have a material adverse affect on the Company and its equity and/or debt holders.

GOVERNANCE

Subsequent to the end of the quarter, Mr. Michael C. Erickson resigned as Vice President, COO and Corporate Secretary of the Company due to other business commitments and opportunities. Mr. Erickson has agreed to remain available as an advisor to the Company in regards to a variety of Corporate and Operational activities. The Board of Directors wish to thank Mr. Erickson for his many valuable contributions over the years.

OUTLOOK

The shareholders of Resilient have come through a long, difficult period. It is the hope of Management and the Board that the restructuring efforts which have been underway for the majority of 2005 will help lead to the formation of a successful junior oil and gas producer in northern Montana and allow the beginning of the pursuit of other prospects areas in the Western Canadian Sedimentary Basin.

The geological potential on the Company's Eastern Land Block remains exciting and, with success, could provide for a major exploration and development program. Through the engagement of new technical consultants and the acquisition of additional geophysical data across the Company's land base, new prospects have been developed which justify the employment of exploration capital to see drilling take place.

OTHER BUSINESS RISKS AND UNCERTAINTIES

This document contains statements about expected future events and/or financial results that are forward looking in nature and subject to substantial risks and uncertainties. The Company cautions the readers that actual performance will be affected by a number of factors, many of which are beyond its control, as many may respond to changes in economic and political circumstances around the world. These external factors beyond the Company's control may affect the marketability of oil and natural gas produced, industry conditions including changes in laws and regulations, changes income tax regulations, increased competition, fluctuations in commodity prices, interest rates, and variations in the Canadian/United States dollar exchange rate.

In addition, the Company is exposed to several risks inherent to the oil and gas exploration and production industry including, but not limited to:

- Finding and developing oil and natural gas reserves at economic costs;
- Production of oil and natural gas in commercial quantities; and
- Marketability of oil and natural gas produced.

The Company strives to mitigate these risks by effective and proactive management, employing qualified experienced staff and consultants in all areas of its operation, with careful regard for environmental and safety concerns.

The Company will need to raise additional capital and/or complete joint venture arrangements with third parties in order to fund the further development of its natural gas properties and ultimately achieve sufficient commercial oil and gas production to continue as a going concern. If the Company is unsuccessful in obtaining such financing or joint ventures it could have a material adverse affect on the Company and its equity and/or debt holders.

Reference is hereby made to the Company's Annual Information Form filed on www.sedar.com for further Business Risks and Uncertainties.

Submitted on behalf of the Board of Directors

"Signed by"
D. M. (Bud McDonald)
Director; President & Chief Executive Officer

Resilient Resources Ltd.

Interim Consolidated Financial Statements
(Unaudited)
June 30, 2005

NOTICE TO READER

The accompanying unaudited interim financial statements of Resilient Resources Ltd. for the quarter ended June 30, 2005 have been prepared by management and approved by the Board of Directors of the Corporation. These statements have not been reviewed by Resilient Resources Ltd.'s external auditors.

Dated August 11, 2005

On behalf of Resilient Resources Ltd.

"Signed by"
D. M. (Bud) McDonald
Director, President & Chief Executive Officer

Resilient Resources Ltd.

Interim Consolidated Balance Sheet
(unaudited)

	June 30, 2005	December 31, 2004
	$	$
Assets		
Current assets:		
Cash and term deposits	725,746	304,593
Accounts receivable	79,007	146,757
Prepaid expenses and deposits	112,951	52,788
	917,704	504,138
Deposit	368,610	365,271
Property, plant and equipment (note 3)	4,778,986	4,558,898
Deferred financing charges	170,440	323,971
	6,235,740	5,752,278
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	738,653	710,242
10% Debenture due to Aquilon Capital Corp (note 5)	1,220,189	1,971,575
10% Debenture issued August 13, 2004	1,450,000	-
10% Debenture issued April 19, 2005 (note 5)	1,970,000	-
	5,378,842	2,681,817
10% Debentures issued August 13, 2004	-	1,450,000
Asset retirement obligation (note 4)	298,948	289,485
	5,677,790	4,421,302
Shareholders' Equity		
Capital stock (note 6)	535,293	38,532,590
Equity portion of 10% debenture	80,000	80,000
Contributed Surplus	801,673	782,402
Deficit	(859,016)	(38,064,016)
	557,950	1,330,976
	6,235,740	5,752,278

Approved by the Board of Directors.

Geoff Fulton; Director   Bud McDonald; Director

Resilient Resources Ltd.

Interim Consolidated Statement of Loss and Deficit
(Unaudited)

	Three Months Ended 2005 $	June 30 2004 $	Six Months Ended June 30 2005 $	2004 $
Revenue				
Interest	-	-	-	1,635
Expenses				
Asset retirement obligation accretion	3,533	5,776	6,902	12,493
General and administrative	165,196	125,752	305,575	249,452
Debenture interest expense	105,972	46,651	184,355	168,695
Deemed interest expense	-	184,808	-	184,808
Depreciation and amortization	180,258	259,775	357,346	297,937
Foreign exchange gains	5,255	14,177	4,838	19,467
	460,214	636,939	859,016	932,852
Loss for the period	(460,214)	(636,939)	(859,016)	(931,217)
Deficit - Beginning of period	(38,462,818)	(24,917,136)	(38,064,016)	(24,139,059)
Asset retirement obligation	-	-	-	(129,987)
Stock-based compensation	-	-	-	(353,812)
Reduction of stated capital (note 6)	38,064,016	-	38,064,016	-
As restated	(398,802)	(24,917,136)	-	(24,622,858)
Deficit - End of period	(859,016)	(25,554,075)	(859,016)	(25,554,075)
Loss per common share	(0.16)	(0.25)	(0.30)	(0.37)
Weighted average number of shares	2,822,492	2,545,521	2,822,492	2,545,521

Resilient Resources Ltd.

Interim Consolidated Statement of Cash Flows

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June.	
	2005	2004	2005	2004
	$	$	$	$
Cash provided by (used for):				
Operating activities:				
Loss for the year	(460,214)	(636,939)	(859,016)	(931,217)
Items not affecting cash				
Depreciation and amortization	180,258	259,775	357,346	297,937
Asset retirement obligation accretion	3,533	5,776	6,902	12,493
Stock-based compensation	3,490	12,138	7,708	37,761
Debenture interest expense	66,719	-	115,333	-
Deemed interest expense	-	184,808	-	184,808
Foreign exchange loss	5,255	14,177	4,838	19,467
Cash flow from operations	(200,959)	(160,265)	(366,889)	(378,751)
Asset retirement obligation expenditures	-	(38,853)	-	(64,777)
Changes in non-cash working capital balances	(105,930)	114,220	(117,777)	198,210
	(306,889)	(84,898)	(484,666)	(245,318)
Financing activities:				
Increase in long term debt	-	30,780	-	20,054
Issue of 10% debenture	1,970,000	-	1,970,000	-
Financing costs	(199,724)	-	(200,724)	-
Issue of Common Shares	-	1,506,232	-	1,506,232
	1,770,276	1,537,012	1,769,276	1,526,286
Investing activities:				
Expenditures on property, plant and equipment	(934,718)	(2,360,071)	(1,017,231)	(2,936,010)
Changes in non-cash working capital balances	159,169	663,789	153,774	906,694
	(775,549)	(1,696,282)	(863,457)	(2,029,316
Increase (decrease) in cash	687,838	(244,168)	421,153	(748,348)
Cash, beginning of period	37,908	276,574	304,593	780,754
Cash, end of period	725,746	32,406	725,746	32,406

Supplemental Cash Flow Information (note 8).

1 Nature of business and basis of presentation

Nature of Business

Resilient Resources Ltd. (formerly K2 Energy Corp.) is a corporation formed under the laws of the Province of Alberta. K2 America a wholly owned subsidiary, explores for and develops oil and gas reserves in the state of Montana.

Basis of presentation

These financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As at June 30, 2005, the company had a working capital deficiency of $4,461,138 (December 31, 2004 – $2,177,679), no long-term debt (December 31, 2004 – $1,450,000) and an accumulated deficit of $ 859,016, (December 31, 2004 – $38,064,016). On May 17, 2005 at the Annual General and Special Meeting the Shareholders of the Corporation passes a special resolution reducing the Company's accumulated deficit by $38,064,016 by deducting that amount from the stated share capital account.

The company's activities over the past seven years have been primarily directed towards the acquisition, exploration and development of oil and gas properties on the Blackfeet Indian Reservation ("Reservation") in northern Montana. The company's primary asset is the rights to a large block of exploratory acreage on the Reservation where exploration activity is continuing. As at June 30, 2005, the company had expended $4,730,216 (net) on the acquisition and exploration of its oil and gas properties in Montana, net of recoveries and write-downs of $27,162,729 in prior years.

The company's ability to continue as a going concern is dependent upon it raising additional debt or equity financing and/or the completion of joint venture arrangements with third parties in order to pay overhead costs, continue the exploration and development of its Montana properties and ultimately achieve commercial production in the area sufficient to recover its remaining net book value of $4,730,216.

K2 Blackfeet agreement

The Company owns the rights to explore for oil and gas on approximately 100,000 tribal mineral acres of land on the Blackfeet Indian Reservation in northern Montana.

The Company acquired its exploration rights to approximately 150,000 acres referred to as the "Western Lands" under the terms of an exploration agreement originally signed with the Blackfeet Tribe in 1997 (the "Original Agreement") and the rights to a further 100,000 acres referred to as the "Eastern Lands" in the amendment dated January 2003. (the "Amended Agreement"). Under the terms of the "Third amended Oil and gas Exploration Agreement" signed by the Blackfeet Tribe in March, 2005 the Company's outstanding obligations and future exploration rights relating to the western lands have been terminated. As at June 30, 2005 the Company's commitments to retain its exploration rights in the lands going forward are as follows:

Eastern Lands: By April 18, 2005 the Company was obligated to drill 2 wells and pay an annual rental fee of $300,000 US. For the 3 years commencing April 18, 2005 through April 18, 2008 the Company was obligated to drill a total of 8 wells and pay annual rental fees totalling $1,200,000 US.

The Company's pending drilling obligation of 2 wells on the Eastern Lands has been extended to September 1, 2005 this extension from April to September applies as well to the drilling commitments in the following 2 years, but does not apply to 2008. The commitment of an annual rental fee of $300,000 US remains unchanged. Accordingly, the Company had an obligation to pay to the Blackfeet Tribe by April 18, 2005 a total amount of $550,000 US, which comprises the annual rental fee of $300,000 US for the Eastern Lands, and an additional $250,000 US relating to the extension of the drilling obligation on the Eastern Lands. This obligation was paid on April 18, 2005.

2 Significant accounting policies

The interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended December 31, 2004 and should be read in conjunction with such audited annual financial statements and notes thereto.

3 Property, plant and equipment

As at December 31, 2004

	Cost	Impaired Value	Accumulated Depreciation	Net Book Value
	$	$	$	$
Unproven oil and gas properties	31,662,767	(27,162,729)	-	4,500,038
Building and equipment	435,916		(377,056)	58,860
	32,098,683	(27,162,729)	(377,056)	4,558,898

As at June 30, 2005

	Cost	Impaired Value	Accumulated Depreciation	Net Book Value
	$	$	$	$
Unproven oil and gas properties	31,892,945	(27,162,729)	-	4,730,216
Building and equipment	435,916	-	(387,146)	48,770
	32,328,861	(27,162,729)	(387,146)	4,778,986

For the quarter ended June 30, 2005 the Company capitalized general and administration costs of $106,319 as compared to $140,733 in the second quarter of 2004 and $113,796 for the quarter ended December 31, 2004. For the six months ended June 30, 2005 the Company capitalized general and administration costs of $208,500 as compared to $277,369 in the first six months of 2004 and $207,135 for the six months ended December 21, 2004. Effective March 1, 2005 the Company assigned the net revenue for the life of the production from the Company's producing oil and gas wells in the Palmer/Tesoro Unit and the Kye Trout field for settlement of a portion of the 10% secured debenture due to Aquilon Capital Corp. Accordingly in March, 2005 the Company reduced the carrying value of its unproven oil and gas properties by $800,000. (see note 5).

4 Asset retirement obligation

For the Company, asset retirement obligations relate to the abandonment of oil and gas producing facilities. Changes in asset retirement obligations were as follows:

	Six months ended June 30, 2005 $	Year ended December 31, 2004 $
Asset retirement obligation – Beginning of period	289,485	386,131
Liabilities incurred	-	19,581
Liabilities settled	-	(66,065)
Liabilities assigned	-	(53,002)
Accretion expense	6,902	24,237
Foreign exchange loss (gain)	2,561	(21,397)
Asset retirement obligation –End of period	298,948	289,485

At June 30, 2005 the undiscounted estimated future well abandonment and site reclamation costs were $467,000 (December 31, 2004 - $460,000). This amount was inflated by the inflation rate and discounted using a credit adjustment rate of 9.5% over the expected useful life of the underlying assets.

5 Debt Obligations

a) $1,220,189 principal amount of 10% convertible secured debenture

Pursuant to the terms of an agreement with Aquilon Capital Corp. (formerly the MMI Group Inc.) the terms of repayment of the 10% secured debenture in the amount of $1,971,575 were revised. Effective March 1, 2005 Aquilon has agreed to settlement of a portion of the debenture and accrued interest ranging from a minimum of $800,000 to a maximum of $971,575 in return for an assignment of the net revenues for the life of the production from the Company's producing oil and gas wells in the Palmer/Tesoro Unit and the Kye Trout field. The final amount of the debenture settled will be calculated at four times the annualized net revenue over a 90 day period commencing March 1, 2005. As at June 30, 2005 the Company has reduced the principal and accrued interest balances payable on the debenture by $800,000 and will adjust this amount if necessary after the 90 day calculation period which terminates at the end of May, 2005. In settlement of the remaining portion of the debenture of $1,220,189, Aquilon took a senior secured convertible debenture ranking equally on all security privileges with the April, 2005 financing (see item 5(b) below), bearing an interest rate of 10% per annum, interest payable quarterly in cash or common shares, maturing on April 22, 2006 and convertible at the option of the holder into common shares of the Company at any time prior to maturity at $0.05 per share ($1.50 post-consolidation). The amount of the final debenture will be adjusted between $1 million and $1.220 million according to the finalization of calculation of the four times annualized net revenues of the oil production. The debenture is also redeemable by the Company, with payment in common shares at a price of $0.75 per common share (see "Subsequent Events" below). The redemption privilege of the Company is at the time of the next corporate financing, subject to raising a minimum of $750,000 at a price of $0.65 per share or greater.

b) $1,970,000 principal amount of 10% convertible secured debentures

In April 2005, the Company raised $1,970,000 (net $1,793,000 after agent's commission) through the issue of 1,970 debentures at a price of $1,000 each. The debentures mature on April 30, 2006 and bear an interest rate of 10% per annum, payable quarterly in cash or common shares. The notes are secured by a specific assignment of K2 Americas Corporation's US properties and rank equally on all security privileges associated with the Aquilon senior secured debenture. Each $1,000 debenture is convertible into 667 common shares and includes 667 bonus warrants exerciseable into common shares at a price of $1.50 per share until April 30, 2006. In aggregate, the total issue of 1,970 debentures is convertible into 1,313,334 common shares and resulted in the issue of 1,313,334 bonus warrants. In addition the selling agent has been paid a commission of $177,300 and been issued 118,200 warrants exercisable into common shares at a price of $1.50 per share until April 30, 2006. The proceeds from the debenture financing are to fund land payments and working capital.

The Company did not assign a value to the warrants as shortly after their issue the debentures were converted to common shares and all rights related to the warrants were cancelled. (see Subsequent Event note 9)

6 Capital stock

a) Authorized

Unlimited number of common voting shares

b) Common shares outstanding

Issued	Number of shares	Amount $
Balance December 31, 2003	62,438,002	33,297,133
Shares issued for cash on exercise of rights issue	7,491,618	1,648,156
Shares issued pursuant to conversion of long term debentures	10,952,520	3,286,029
Shares issued in payment of fees related to debenture conversion	535,000	160,500
Shares issued pursuant to extension of long term debenture	1,600,000	336,000
Shares issued in payment of fees related to debenture extension	620,000	125,200
Share issue costs	-	(375,569)
Shares issued in payment of interest	703,985	55,141
Balance December 31, 2004	84,341,125	38,532,590
Shares issued in payment of interest	712,152	35,964
Balance pre share consolidation and reduction of stated capital	85,053,277	38,568,554
Share Consolidation	(82,218,109)	-
Reduction of stated capital	-	(38,064,016)
Balance post share consolidation and reduction of stated capital	2,835,168	504,538
Shares issued in payment of interest	16,403	30,755
Balance June 30, 2005	2,851,571	535,293

At the Annual General and Special Meeting on May 17, 2005 shareholders approved the following two special resolutions that effected the Company's Share Capital:

1.) Share Consolidation: to amend the Articles of the Company to consolidate the Common Shares on a thirty to one basis.

2.) Reduction of Stated Capital: the Company's stated capital attributable to its Common Shares be reduced by the accumulated deficit as at December 31, 2004 of $38,064,016.

c) Contributed surplus

	$
Balance – December 31, 2003	364,107
Stock-based compensation – prior years	410,620
Stock-based compensation – 2005	19,271
Warrants issued to non-employees	7,675
	801,673

d) Stock options

Under the company's Stock Option Plan, the company may grant options to purchase up to 233,334 common shares of its capital stock. The options vest over a period of four years with the expiry dates four years from the date of vesting.

During the six months ending June 30, 2005, no stock options were granted or exercised and 32,336 stock options were cancelled.

The following table summarizes information about options outstanding at June 30, 2005

	Options outstanding			Options exercisable	
Exercise prices $	Number of options	Average remaining life in years	Weighted average Exercise Price $	Number of options	Weighted average Exercise Price $
4.20 to 15.00	75,173	2.99	8.37	60,421	8.79
16.50 to 48.00	21,840	1.76	26.38	19,672	27.43
4.20 to 48.00	97,013	2.71	12.43	80,093	13.37

Options Granted to Employees and Directors

For the second quarter of 2005 the company recognized compensation costs of $7,479 (2004 - $1,689). For the six months ended June 30, 2005 the Company recognized a compensation cost of $16,783 (2004 – $46,416) for both the quarter and six month period the costs were allocated 40% to expenses and 60% to property, plant and equipment.

Options Granted to Non-employees

For the second quarter of 2005 the Company recognized a compensation cost of $1,247 (2004 - $9,467). For the six months ended June 30, 2005 the Company recognized a compensation cost of $2,488 (2004 - $28,808). For both the quarter and six month period the costs were allocated 40% to expenses and 60% to property, plant and equipment.

e) Share purchase warrants

At June 30, 2005, the following share purchase warrants are outstanding:

Number of warrants Outstanding	Exercise Price $	Expiry date
191,459	7.50	September 30, 2005
283,334	7.50	September 30, 2005
322,844	6.00	December 31, 2005
1,431,534	1.50	April 30, 2006

As at June 30, 2005 the company's share price was $0.64 and all of the outstanding warrants were exercisable.

f) Diluted average common shares outstanding

The weighted average number of shares outstanding for the basic per share calculations for the quarter ended June 30, 2005 was 2,822,492. The weighted average number of shares outstanding for the diluted per share calculations for the quarter ended June 30, 2005 was 4,462,513. The dilutive effect from stock options and share purchase warrants, was excluded from the dilution calculation as the exercise prices exceeded the average market price for common shares during the first six months of 2005 of $1.42.

Weighted Average Common Shares Outstanding - Basic	2,822,492
Effect of Convertible Debentures	1,640,021
Weighted Average Common Shares Outstanding - Diluted	4,462,513

Fully diluted loss per share is not disclosed as the effect of conversion of outstanding options and warrants is anti-dilutive.

7 Related Party Transactions

The Company is indebted to the Aquilon Capital Corp. (formerly the MMI Group Inc.) by a 10% secured debenture in the amount of $1,220,189 and a director of the Company is one of the principals and President of the Aquilon Capital Corp., which is an independent investment firm that specializes in portfolio management. Also, Aquilon Capital Corp. manages accounts represented by 45,778 Common Shares of the Company.

8 Supplemental Cash Flow information

Cash flow information	**June 30, 2005** $	**June 30, 2004** $
Non cash financing activities		
Disposition of oil and gas properties	800,000	-
Shares issued to convert debt and extend term	-	3,671,200
Shares issued to repay shareholder loan	-	833,778
Shares issued to pay interest on debt	66,719	-
Equity portion of debentures	-	80,000
Decrease in long term debt	-	(3,210,000)
Increase in deferred charges	-	(541,200)
Decrease in shareholders loan	-	(833,778)
Settlement of portion of 10% secured debenture	(751,386)	-
Settlement of accrued interest	(48,461)	-

9. Subsequent Event

In early August 2005, the Company entered into an agreement with substantially all the holders of the 10% Secured Convertible Debentures in the principal amount of $1,450,000 and $1,970,000 maturing respectively June 30, 2006 and April 30, 2006 to convert into equity by way of issuing 1,333 common shares for each $1,000 debenture. Also the debenture holders agreed to cancellation of their rights under related warrants originally issued with the debentures. Subsequently, the holders of the Aquilon 10% $1.220 million debenture have also agreed to convert to equity under the same terms, 1,333 common shares for each 1,000 debenture. They have agreed to convert a percentage of their total debentures equal to an equivalent pro-rata percentage based on the total conversion by the other two debt holders ($1.45 and $1.97 million). If all holders of the debentures for the three debt issues convert to equity, in aggregate the Company will issue between 5,893,333 to 6,186,919 Common Shares to convert the total debt of $4,420,000 to $4,640,189, subject to final calculation of the Aquilon Debenture. In addition, the agent that managed and solicited the debenture conversions will be paid a commission of $85,500 and the Company will issue 166,000 broker warrants exercisable into Common Shares at a price of $0.75 per share until July 31, 2006.