

Financial Statements  
(Expressed in Canadian Dollars)

**LEVON RESOURCES LTD.**  
(An Exploration Stage Company)

For the six months ended September 30, 2005

The accompanying unaudited Interim Financial Statement for the six months ended September 30, 2005 have not been reviewed or audited by the Company's Auditors.

**LEVON RESOURCES LTD.**  
**(An Exploration Stage Company)**  
Balance Sheet  
September 30, 2005  
(Unaudited - Prepared by Management)

**ASSETS**

	Unaudited September 30, 2005	Audited March 31, 2005
	\$	\$
Current assets		
Cash	11,392	23,388
Restricted cash	14,301	228,347
Amounts receivable and prepaid expense	26,443	12,448
Investments	39,452	39,452
Due from related party	170,047	133,500
	<u>261,635</u>	<u>437,135</u>
Security deposits	52,056	51,960
Investment in and expenditures on resource properties (Note 4)	448,523	297,423
Property and equipment (Note 5)	3,707	2,360
	<u>765,921</u>	<u>788,878</u>

**LIABILITIES**

Current liabilities		
Accounts payable and accrued liabilities	67,817	98,024
Due to related parties	279,282	199,485
	<u>347,099</u>	<u>297,509</u>

**SHAREHOLDERS' EQUITY**

Capital stock (Note 6)	20,730,324	20,730,324
Contributed surplus (Note 7)	32,400	
Subscription receivable	(10,000)	(10,000)
Deficit	(20,333,902)	(20,228,955)
	<u>418,822</u>	<u>491,369</u>
	<u>765,921</u>	<u>788,878</u>

Nature and continuance (Note 1)

On Behalf of the Board:

“Louis Wolfin”  
\_\_\_\_\_  
Director

“Andrea Regnier”  
\_\_\_\_\_  
Director

**See Accompanying Notes to Consolidated Financial Statements**

**LEVON RESOURCES LTD.**  
**(An Exploration Stage Company)**  
Statement of Operations and Deficit  
September 30, 2005  
(Unaudited - Prepared by Management)

	3 months		6 months	
	2005	2004	2005	2004
Expenses:				
Amortization	202	210	336	613
Administrative fees	1,546	-	3,438	-
Audit and accounting fees	-	-	1,800	-
Auto expense	1,316	1,682	2,247	3,295
Consulting fees and Management fees	17,489	-	32,489	-
Foreign exchange	411	(95)	1,851	1,059
General corporate and accounting	6,000	4,500	10,500	9,000
Shareholder communications and investor relations	4,058	666	8,020	6,705
Legal fees	3,858	387	4,233	5,120
Listing and filing fees	3,934	418	6,369	8,316
Office	1,039	6,796	1,037	10,134
Office rent	781	1,802	2,733	2,583
Salaries and benefits	7,505	9,809	18,168	15,408
Transfer agent	7,274	711	8,116	6,578
Travel and accommodation	458	-	458	-
	(55,522)	(26,886)	(106,262)	(68,811)
Other items:				
Interest income on bank balance	173	159	173	282
Gain on sale of mineral property	-	-	33,542	-
Stock based compensation	-	-	(32,400)	-
Loss for the period	(55,695)	(26,727)	(104,947)	(68,529)
Deficit, beginning of period	(20,278,207)	(20,208,601)	(20,228,955)	(20,166,800)
Deficit, end of period	(20,333,902)	(20,235,328)	(20,333,902)	(20,235,328)
Loss per share	(0.00)	(0.00)	(0.01)	(0.00)

See Accompanying Notes to Consolidated Financial Statements

**LEVON RESOURCES LTD.**  
**(An Exploration Stage Company)**  
Statement of Cash Flows  
(Unaudited - Prepared by Management)

	3 months		6 months	
	2005	2004	2005	2004
<b>CASH PROVIDED BY (USED IN)</b>				
<b>Operating Activities:</b>				
Loss for the period	(55,695)	(26,727)	(104,947)	(68,529)
<i>Adjustments for items not involving cash</i>				
Amortization	202	402	336	613
Stock based compensation	-	-	32,400	-
	(55,493)	(26,325)	(72,211)	(67,916)
<i>Changes in non-cash working capital</i>				
<i>Items:</i>				
Amounts receivable and prepaid expense	(4,126)	(23,127)	(13,995)	(28,216)
Accounts payable and accrued liabilities	3,353	(42,724)	(33,824)	(36,827)
Due to (from) related parties	(41,166)	-	43,249	-
	(97,432)	(78,581)	(76,781)	(132,959)
<b>Financing activities:</b>				
Issue of shares for cash	-	1,080	-	1,080
Due to related parties	-	41,308	-	41,308
Long term debt	-	47,539	-	40,691
Prepaid subscriptions	-	3,000	-	429,250
	-	92,927	-	512,329
<b>Investing Activities:</b>				
Expenditures on the resource properties	(60,924)	(163,393)	(157,244)	(166,954)
Purchase of office equipment	(239)	-	(1,682)	-
Security deposits	-	1,027	9,665	915
	(61,163)	(162,366)	(149,261)	(166,039)
Inflow (Outflow) of Cash	(158,595)	(161,615)	(226,042)	(213,331)
Cash, beginning of period	184,288	639,010	251,735	264,064
Cash, end of period	25,693	477,395	25,693	477,395

**See Accompanying Notes to Consolidated Financial Statements**

## **1. Nature and Continuance of Operations**

Levon Resources Ltd. (the "Company") was incorporated under the laws of British Columbia on April 9, 1965. It is an exploration stage public company whose principal business activities are the exploration for and development of natural resource properties. There has been no significant revenues generated from these activities to date.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production or sufficient proceeds from the disposition of its mineral properties.

These financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At September 30, 2005 the Company had working capital of \$197,435 which may not be sufficient to achieve its planned business objectives. The ability of the Company to fund its commitments and ongoing operations is dependent upon the ability of the Company to obtain additional equity financing to complete the exploration and development of its mineral properties and, ultimately, the attainment of profitable operations. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

## **2. Interim Reporting**

These unaudited interim financial statements have been prepared in accordance with the accounting principles generally accepted in Canada for interim financial information and, follow the same accounting policies and methods of their application as the Company's most recent annual financial statements. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual financial statements for the year ended March 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

### **3. Significant Accounting Policies**

#### Comparative Figures

Certain of the prior years comparative figures have been reclassified to conform to the presentation adopted for the current year.

### **4. Resource Properties**

#### (a) Congress claims

The Company owns a 50% leasehold interest in 45 claims in the Lillooet Mining Division, British Columbia. The mineral claims were purchased from a company with common directors.

The Congress claims are subject to a Joint Venture Agreement dated February 25, 1983 between the Company and Veronex Resources Ltd. ("Veronex"). Veronex has earned a 50% net interest in the claims, net of a 5% net smelter royalty held by the Company, by expending \$1,000,000 in a prior year. All subsequent expenditures are to be contributed equally by the Company and Veronex.

During the year ended March 31, 2004, with funding made available through equity financing, exploration activities have recommenced with Levon incurring 100% of expenditures incurred.

#### (b) Gold Bridge claims (BRX Project)

The Company owns 74 mineral claims in the Gold Bridge area, Lillooet Mining Division, British Columbia. During the year ended March 31, 2002, the Company wrote-down the expenditures related to the claims resulting in a charge of \$118,179 to operations. The claims remain in good standing until December 2008.

On December 17, 2002, the Company entered into an option agreement with Mill Bay Ventures Inc. ("Mill Bay"), a public company related by common directors, whereby the Company granted Mill Bay an option to acquire an undivided 50% interest in the BRX Claims under the following terms:

- (i) Incurring \$100,000 of expenditures on the property, and issuance of 100,000 common shares of Mill Bay to the Company on or before December 17, 2003;
- (ii) Incurring an additional \$100,000 of expenditures on the property, and issuance of another 100,000 common shares of Mill Bay to the Company on or before December 17, 2004; and
- (iii) Incurring an additional \$100,000 of expenditures on the property, and issuance of another 100,000 common shares of Mill Bay to the Company on or before December 17, 2005.

**4. Resource Properties (continued)**

(b) Gold Bridge claims (BRX Project), (continued)

On September 1, 2003, the option agreement was amended such that the \$100,000 in expenditures and the 100,000 common shares due on or before December 17, 2003 were deferred until December 17, 2004.

During the 2005 fiscal year, Mill Bay earned the 50% interest in the property by incurring the required exploration on the property and issuing to the Company 300,000 common shares in the capital of Mill Bay.

(c) Wayside claims

The Company owns 24 mineral claims in the Lillooet Mining Division, British Columbia. During the year ended March 31, 2002, the Company wrote-down the expenditures related to the claims resulting in a charge to operations of \$42,119. The claims remained in good standing until December 2004. With funding made available through equity financing, exploration activities will recommence on the property.

**LEVON RESOURCE LTD.****(An Exploration Stage Company)**

Notes to Financial Statements

For the six months ended September 30, 2005

(Canadian Dollars)

(Unaudited - Prepared by Management)

**INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES**

	Congress	Gold Bridge	Eagle	Ruf	Norma Sass	Wayside	Total
Balance, March 31, 2003	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 6
Deferred exploration costs							
Drilling program	0	46,230	0	0	0	0	46,230
Assessments and property tax	2,292	0	4,216	0	0	0	6,508
	2,293	46,231	4,217	1	1	1	52,744
Write-down to nominal value	(2,292)	0	(4,216)	0	0	0	(6,508)
Balance, March 31, 2004	1	46,231	1	1	1	1	46,236
Deferred exploration costs							
Drilling	64,705	72,923	0	0	0	0	137,628
Equipment rental	0	66,907	0	0	0	0	66,907
Geological and management services	16,139	9,670	0	0	0	0	25,809
Permits	0	11,880	0	0	0	0	11,880
Wages and benefits	0	10,643	0	0	0	0	10,643
Assays	0	8,893	0	0	0	0	8,893
Drafting and mapping	2,058	5,286	0	0	0	0	7,344
Consulting	0	5,118	0	0	0	0	5,118
Assessment and filing fees	5,000	0	0	0	0	0	5,000
Administration	0	3,510	0	0	0	0	3,510
Fuel	0	1,455	0	0	0	0	1,455
Options payments	0	(33,000)	0	0	0	0	(33,000)



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Notes to Financial Statements

For the six months ended September 30, 2005

(Canadian Dollars)

(Unaudited - Prepared by Management)

	Congress	Gold Bridge	Eagle	Ruf	Norma Sass	Wayside	Total
Balance, March 31, 2005	\$ 87,903	\$ 209,516	\$ 1	\$ 1	\$ 1	\$ 1	\$ 297,423
Deferred exploration costs							
Drilling	40,348						40,348
Equipment and truck rental		10,142					10,142
Land fees	153		3,656				3,809
Geological and management services	13,757	8,223				100	22,080
Permits	1,085						1,085
Wages and benefits		8,310					8,310
Assays		6,288				750	7,038
Drafting and mapping	1,083						1,083
Mobilization and demobilization		390				2,584	2,974
Meals and accommodation	550						550
Trenching	45,865	7,815					53,680
Balance, September 30, 2005	190,745	250,684	3,657	1	1	3,435	448,523

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**5. Property and Equipment**

September 30, 2005	Cost	Accumulated Amortization	Net
Furniture and equipment	29,487	25,780	3,707

  

March 31, 2005	Cost	Amortization	Net
Furniture and equipment	27,804	25,444	2,360

**6. Share Capital**

(a) Authorized 100,000,000 common shares without par value

(b) Issued:

	Number of shares	Amount
Balance, March 31, 2005	25,760,058	\$ 20,730,324
Balance, September 30, 2005	25,760,058	\$ 20,730,324

(c) Stock Options

During the period the Company established an incentive stock option plan ("the Plan"). The essential elements of the Plan provide that the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Corporation's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed five years. The options currently granted under the plan vest immediately pending any regulatory hold period.

The plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the plan result in:

- The number of options granted in a twelve month period to any one consultant exceeding 2% of the issued shares of the Corporation;
- The aggregate number of options granted in a twelve month period to any one individual exceeding 5% of the outstanding shares of the Corporation;
- The number of options granted in any twelve month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Corporation;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Corporation in any twelve month period.

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For the three months ended September 30, 2005  
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**6. Share Capital (continued)**

(c) Stock Options (continued)

During the period the Company granted 2,305,000 incentive stock options at an exercise price of \$0.10 per share expiring April 5, 2010 (Note 7).

A Summary of share purchase options is as follows:

Balance, March 31, 2005	Cancelled/ Exercised in the period	Granted in the period	Exercise Price per Share	Expiry Date	Balance, September 30, 2005
Nil	Nil	2,305,000	\$0.10	April 5, 2010	2,305,000

**7. Stock-based Compensation**

In the period ended September 30, 2005 a charge to compensation costs of \$32,400 was recorded against income. The charge includes the estimated fair value of 2,305,000 share purchase options granted as compensation.

The fair value of the share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.25%, dividend yield of 0%, volatility factor of 10%, and an expected life of three years.

**8. Related Party Transactions**

During the period the Company incurred the following charges by related parties:

- (a) \$10,500 for accounting and corporate services to a private company owned by a director and the secretary of the Company;
- (b) \$40,438 for office, occupancy and miscellaneous costs and salaries, and administrative services paid on behalf of the Company to a private company owned by the Company and three other reporting issuers and controlled by common management.
- (c) \$15,000 for management fees to a private company owned by the son of the president of the Company; and
- (d) \$15,000 for consulting fees to a private company owned by the daughter of the president of the Company.

As at September 30, 2005 liabilities included \$279,282 (March 31, 2005: \$199,485) owing to related parties.