LEVON RESOURCES LTD.
(An Exploration Stage Company)

Financial Statements
March 31, 2006 and 2005
(Canadian Dollars)

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF LEVON RESOURCES LTD.

We have audited the balance sheets of Levon Resources Ltd. as at March 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. Accounting principles generally accepted in Canada differ in certain significant respects from accounting principles generally accepted in the United States of America and are discussed in note 12 to these financial statements.

/s/ Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, Canada
July 10, 2006

COMMENTS BY AUDITORS FOR US READERS

In the United States, reporting standards of the Public Company Accounting Oversight Board for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going-concern, such as described in note 1 to the financial statements. Our report to the shareholders dated July 10, 2006, is expressed in accordance with Canadian reporting standards, which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

/s/ Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, Canada
July 10, 2006

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Balance Sheets (note 1)
March 31
(Canadian Dollars)

		2006		2005
Assets				
Current				
Cash	$	732,829	$	23,388
Cash, exploration funds		1,694		228,347
Accounts receivable and prepaid expense		60,090		12,448
Investments (note 4)		39,452		39,452
Due from related parties (note 10(a))		94,153		133,500
		928,218		437,135
Security Deposits (note 5)		45,912		51,960
Investment in Resource Properties (notes 6 and 7)		549,051		297,423
Property and Equipment (note 8)		2,938		2,360
	$	1,526,119	$	788,878
Liabilities				
Current				
Accounts payable and accrued liabilities (note 10)	$	77,202	$	98,024
Due to related parties (note 10(f))		208,727		199,485
		285,929		297,509
Shareholders' Equity				
Capital Stock (note 9)		20,883,010		20,730,324
Subscription Receivable (note 9(h))		(10,000)		(10,000)
Paid Share Subscriptions (note 13(a))		805,253		-
Contributed Surplus (note 9(g))		191,315		-
Deficit		(20,629,388)		(20,228,955)
		1,240,190		491,369
	$	1,526,119	$	788,878

Nature of Operations and Basis of Presentation (note 1)

Approved on behalf of the Board:

"Louis Wolfin"
…... Director
Louis Wolfin

"Andrea Regnier"
…... Director
Andrea Regnier

See notes to financial statements.

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Statements of Operations and Deficit
Years Ended March 31
(Canadian Dollars)

	2006	2005
Expenses		
Stock-based compensation	$ 191,315	$ -
Consulting and management fees	60,000	30,000
Professional fees	45,448	19,751
Salaries and benefits	33,618	24,237
Corporate and administrative services	26,300	18,000
Compliance, listings and transfer agent fees	25,296	27,873
Office occupancy and miscellaneous	49,462	28,950
Shareholder relations, promotion and compliance	17,753	9,876
Travel and automotive	4,715	5,092
Loss Before Other Expenses and Recoveries	453,907	163,779
Other		
Recovery of mineral property costs	(45,664)	(6,428)
Interest income	(11,466)	(421)
Write-off of property and equipment	-	6,700
Write-down of investment in and expenditures on resource properties	3,656	-
Loss Before Income Tax (Recovery)	400,433	163,630
Income Tax (Recovery) (note 11)	-	(101,475)
Net Loss for Year	400,433	62,155
Deficit, Beginning of Year	20,228,955	20,166,800
Deficit, End of Year	$ 20,629,388	$ 20,228,955
Loss Per Share	$ (0.02)	$ (0.00)
Weighted Average Number of Common Shares Outstanding	25,965,033	21,838,576

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Statements of Cash Flows
Years Ended March 31
(Canadian Dollars)

	2006	2005
Operating Activities		
Net loss	$ (400,433)	$ (62,155)
Items not involving cash		
Write-down of investment in and expenditures on resource properties	3,656	-
Write-off of property and equipment	-	6,700
Interest accrued on amount due from related party	5,564	-
Stock-based compensation	191,315	-
Income tax recovery on flow-through shares	-	(101,475)
Amortization	786	3,747
Operating Cash Outflow	(199,112)	(153,183)
Changes in Non-Cash Working Capital		
Accounts receivable and prepaid expenses	(47,642)	(2,883)
Accounts payable and accrued liabilities	(20,822)	26,303
Due to (from) related parties	43,025	(94,768)
	(25,439)	(71,348)
Cash Used in Operating Activities	(224,551)	(224,531)
Investing Activities		
Investment in and expenditures on resource properties	(255,284)	(284,187)
Purchase of computer equipment	(1,364)	-
Security deposits refunded	6,048	1,509
Cash Used in Investing Activities	(250,600)	(282,678)
Financing Activities		
Share issuance for debt settlement	152,686	0
Issuance of capital stock for cash, net of issue costs	-	494,880
Share subscriptions received	805,253	-
Cash Provided by Financing Activities	957,939	494,880
Inflow (Outflow) of Cash	482,788	(12,329)
Cash, Beginning of Year	251,735	264,064
Cash, End of Year	$ 734,523	$ 251,735
Supplemental Cash Flow Information		
Shares issued as finders' fee	$ -	$ 14,900
Shares issued for debt settlement	$ 152,686	$ -
Interest paid	$ -	$ -

See notes to financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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 have been no significant revenues generated from these activities to date.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether its 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 March 31, 2006, the Company had working capital of $672,289, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

Investments are recorded at the lower of their written down value and market on an individual investment basis.

(b) Investment in and expenditures on resource properties

The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit-of-production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Amortization

Amortization is calculated on a declining-balance basis at the following annual rate:

Furniture and equipment - 20%

(d) Income taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. A valuation allowance is provided to reduce the asset to the net amount management estimates to be reasonable to carry as a future income tax asset.

(e) Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented separately as the outstanding stock options and warrants are anti-dilutive.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates and would impact future results of operations and cash flows.

(g) Stock-based compensation

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, *"Stock-Based Compensation and Other Stock-Based Payments"*, for accounting for stock-based compensation expense whereby all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2004, are accounted for using the fair value based method, and are recorded as an expense over the vesting period, and a corresponding increase in contributed surplus. When stock options are exercised, the corresponding fair value is transferred to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Asset retirement obligation

Section 3110 of the CICA Handbook requires companies to recognize an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Amounts are recorded once they become known or can be readily estimated.

(i) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The estimated tax benefits transferred to shareholders are recorded as a future income tax liability and a reduction to capital stock at time of renunciation.

3. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash, accounts receivable, security deposits, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

The fair value of investments as determined by approximate quoted market values are disclosed in note 4.

It is not practicable to determine fair values of amounts due to or from related parties.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash, security deposits and accounts receivable. Cash and security deposits are placed with well capitalized, high quality financial institutions.

(Canadian Dollars)

4. INVESTMENTS

	2006			2005		
	Number of Shares		Amount	Number of Shares		Amount
Mill Bay Ventures Inc. (market $48,857, 2005 - $34,898)	348,978	$	37,897	348,978	$	37,897
Avino Silver & Gold Mines Ltd. (market $16,800, 2005 - $8,484)	4,200		1,554	4,200		1,554
Omega Equities Corp., at nominal value	57,000		1	57,000		1
	410,178	$	39,452	410,178	$	39,452

Avino Silver & Gold Mines Ltd. and Mill Bay Ventures Inc. ("Mill Bay") have common directors with the Company.

During the 2005 fiscal year, the Company received an additional 300,000 common shares in Mill Bay at a deemed value of $0.11 per share as part of the consideration for a 50% interest in the BRX claims (note 6(b)).

5. SECURITY DEPOSITS

The security deposits are held by the Company's banks as a condition of various reclamation permits. It is management's opinion that ARO cannot be determined at this time and therefore no liabilities have been recorded (note 7). During the year, the Company was refunded $6,048 in securities deposits held for the Cripple Creek property reclamation, together with interest of $5,014.

(Canadian Dollars)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

	Congress	Gold Bridge	Eagle	Ruf	Norma Sass	Wayside	Total
	(note 6(a))	(note 6(b))	(note 6(c))	(note 6(d))	(note 6(d))	(note 6(e))	
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)
Balance, March 31, 2005	87,903	209,516	1	1	1	1	297,423

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Notes to Financial Statements
Years Ended March 31, 2006 and 2005
(Canadian Dollars)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

	Congress	Gold Bridge	Eagle	Ruf	Norma Sass	Wayside	Total
	(note 6(a))	(note 6(b))	(note 6(c))	(note 6(d))	(note 6(d))	(note 6(e))	
Balance, March 31, 2005	$ 87,903	$ 209,516	$ 1	$ 1	$ 1	$ 1	$ 297,423
Deferred exploration costs							
Drilling	114,853	1,739	0	0	0	0	116,592
Equipment rental	24,701	10,142	0	0	0	0	34,843
Trenching	22,709	6,105	0	0	0	3,855	32,669
Geological and management services	20,022	2,822	0	0	0	2,257	25,101
Consulting	10,733	491	0	0	0	0	11,224
Assays	4,975	233	0	0	0	2,876	8,084
Wages and benefits	4,290	2,461	0	0	0	100	6,851
Drafting and mapping	4,936	0	0	0	0	0	4,936
Metallurgical testing	4,879	0	0	0	0	0	4,879
Mobilization and demobilization	4,087	0	0	0	0	0	4,087
Assessment and filing fees	1,525	577	0	0	0	0	2,102
Fuel	1,325	0	0	0	0	0	1,325
Permits	1,085	0	0	0	0	0	1,085
Meals and accommodation	550	0	0	0	0	0	550
Options payments	0	0	0	0	0	0	0
Administration	(2,700)	0	0	0	0	0	(2,700)
Balance, March 31, 2006	$ 305,873	$ 234,086	$ 1	$ 1	$ 1	$ 9,089	$ 549,051

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(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, 2005, with funding made available through equity financing, exploration activities have recommenced with the Company incurring 100% of expenditures incurred.

(b) Gold Bridge claims (BRX Project)

The Company owns 50% interest in 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.

During the year ended March 31, 2006, exploration activities have recommenced.

On December 17, 2002, the Company entered into an option agreement whereby Mill Bay Ventures Ltd., a company related by common directors, could acquire an undivided 50% interest in the Gold Bridge claims as follows:

(i) Incur $100,000 of expenditures on the property, and issue 100,000 common shares of Mill Bay to the Company on or before December 17, 2003 (done);

(ii) Incur an additional $100,000 of expenditures on the property, and issue another 100,000 common shares of Mill Bay to the Company on or before December 17, 2004 (done); and

(iii) Incur an additional $100,000 of expenditures on the property, and issue another 100,000 common shares of Mill Bay to the Company on or before December 17, 2005 (done).

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 was deferred until December 17, 2004. The Company received the shares during the fiscal year ended March 31, 2006 and Mill Bay incurred the required exploration on the property to earn the 50% interest in the property.

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(c) Eagle claims

The Company holds a 50% interest in 26 lode-mining claims located in Lander County, Nevada. The claims are subject to a 3% net smelter return royalty. During the year ended March 31, 2002, the Company wrote-down the expenditures related to the claims, resulting in a charge to operations of $235,991. During the year ended March 31, 2004, the Company wrote-off expenditures of $4,216 (2003 - $4,685) related to these claims, which was paid to maintain the property in good standing. The Company has no current plan to further explore or incur additional expenditures on this property beyond the minimum requirement to maintain the claims in good standing.

(d) Ruf and Norma Sass properties

During the year ended March 31, 2003, the Company acquired from Coral Resource Inc. (“Coral”) an undivided one-third interest in 54 mineral claims known as the Ruf and Norma Sass properties located in Lander County, Nevada (the “Property”) in consideration of cash payments to Coral of $350,292 and 300,000 common shares of the Company. The property is subject to a 3% net smelter royalty with Coral to a maximum of $1,250,000.

During the year ended March 31, 2005, Coral and the Company (collectively, the “Companies”) entered into an Agreement with Agnico-Eagle Mines Ltd. (“AGE”) wherein the Companies granted AGE an option to purchase 100% interest in the property subject to a 2.5% royalty to the Companies in consideration of the following minimum advance royalty payments (in US dollars) and minimum work commitments:

Execution of the Agreement (October 12, 2004)	$ 25,000	13,000 feet of drilling
First anniversary	$ 30,000	15,000 feet of drilling
Second anniversary	$ 50,000	17,000 feet of drilling
Third anniversary	$ 75,000	
Fourth anniversary	$ 75,000	
Fifth anniversary	$ 150,000	

Under the terms of the Agreement, AGE is committed to drilling a minimum of 13,000 feet on the property. Upon making the second and third years’ anniversary advance royalty payments, AGE will be obligated to complete the associated minimum work commitment for that year. After the third anniversary, or at anytime after the completion of at least 45,000 feet of drilling, AGE will have earned a 51% interest in the Property.

AGE can earn an additional 24% by providing the funds to acquire the leased claims from the underlying owners and the remaining 25% by producing a positive feasibility study and making a positive production decision.

At the fifth anniversary and every year thereafter until production occurs, the advance royalty payment will be $150,000 per annum. All advance royalty payments will be credited towards AGE's payment of a royalty of 2.5% net smelter returns from production to the Companies. AGE has reserved the right to purchase 1% of this net smelter returns royalty (to reduce the royalty to Coral and Levon to 1.5%) for a cash payment of US $1 million.

The carrying value of the properties was written down to a nominal value in a prior year.

(Canadian Dollars)

6. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(e) 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. During the year ended March 31, 2006, with equity funding available, the Company has recommenced exploration on the property.

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties, which are explored, are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

7. ASSET RETIREMENT OBLIGATION

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. At March 31, 2006, the Company estimates that costs relating to future site restoration and abandonment based on work done to that date will be immaterial. The Company has currently made no provision for site restoration costs or potential environmental liabilities as all properties are still in exploration stage. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate.

The operations of the Company are complex, and regulations and legislation affecting the Company are continually changing. Although the ultimate impact of these matters on net earnings cannot be determined at this time, it could be material for any one-quarter or year.

8. PROPERTY AND EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Furniture and equipment	$ 29,168	$ 26,230	$ 2,938	$ 27,804	$ 25,444	$ 2,360
Automobiles	-	-	-	51,615	51,615	-
	$ 29,168	$ 26,230	$ 2,938	$ 79,419	$ 77,059	$ 2,360

(Canadian Dollars)

9. CAPITAL STOCK

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

(b) Issued

	Shares		Amount
Balance, March 31, 2004	20,551,058	$	20,326,919
Share issuances			
For cash at $0.10	5,200,000		520,000
Exercise of warrants	9,000		1,080
Share issues costs	-		(16,200)
Income tax recovery on flow-through shares	-		(101,475)
Balance, March 31, 2005	25,760,058		20,730,324
Share issuance			
For debt at $0.10	1,526,853		152,686
Balance, March 31, 2006	27,286,911	$	20,883,010

(c) Private placement

During the year ended March 31, 2005, the Company issued 5,200,000 units at a price of $0.10 per unit. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder to purchase an additional common share at a price of $0.15 per share on or before December 31, 2006. A portion of this placement was issued as flow-through shares resulting in an income tax recovery of $101,475 charged to capital stock and a reduction of the tax loss carry-forward benefit, which is reduced to nil by a valuation allowance. The Company paid finders' fees of $14,900 in connection with this financing.

9. CAPITAL STOCK (Continued)

(d) Shares for debt

On March 4, 2005, the Company entered into shares for debt agreements with two related parties. The Agreements provide for the issuance of 1,526,851 common shares in the Company at a deemed value of $0.10 per share in the settlement of $152,685. During the year the shares were issued.

(e) Stock options

The Company established a stock option plan in 2004, under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to regular employees and persons providing investor-relation or consulting services up to a limit of 5% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. The stock options are fully vestable on the date of grant, except those issued to persons providing investor-relation services, which vest over a period of one year. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

(Canadian Dollars)

Details of the status of the Company's stock options as at March 31, 2006 and 2005 and changes during the years then ended are as follows:

	2006		**2005**	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options, beginning of year	-	-	-	-
Granted	2,305,000	$ 0.10	-	-
Options outstanding and exercisable, end of year	2,305,000	$ 0.10	-	-

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for options. During the year ended March 31, 2006, 2,305,000 (2005 - Nil) options were granted, which resulted in a charge to operations totalling $191,315 (2005 - $Nil).

9. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

The fair value of each option granted is calculated using the following weighted average assumptions:

	2006
Expected life (years)	3
Interest rate	3.00%
Volatility	119.00%
Dividend yield	0.00%

As at March 31, 2006 the following share purchase options were outstanding:

	Exercise	Number of Shares	
Expiry Date	Price	**2006**	**2005**
April 5, 2010	$ 0.10	2,305,000	-

(Canadian Dollars)

(f) Share purchase warrants

A summary of the status of share purchase warrants as of March 31, 2006 and changes during the years ended on those dates is presented below:

	2006		**2005**	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Warrants outstanding and exercisable, beginning of year	5,200,000	$ 0.15	6,161,550	$ 0.12
Granted	-	$ -	5,200,000	$ 0.15
Expired	-	$ -	(6,161,550)	$ (0.12)
Warrants outstanding and exercisable, end of year	5,200,000	$ 0.42	5,200,000	$ 0.15

9. CAPITAL STOCK (Continued)

(f) Share purchase warrants (Continued)

As at March 31, 2006 the following share purchase warrants were outstanding:

	Exercise Price	Number of Shares	
Expiry Date	Per Share	**2006**	**2005**
December 31, 2006	$ 0.15	5,200,000	5,200,000

(g) Contributed surplus

Contributed surplus increased in connection with the recognition of compensation cost relating to stock options. Contributed surplus is decreased when those stock options are exercised:

	2006	**2005**
Contributed surplus, beginning of year	$ -	$ -
Stock option expense for year	191,315	-
Contributed surplus, end of year	$ 191,315	$ -

(h) Subscription receivable

An amount of $10,000 remains outstanding for the issuance of 100,000 units at a price of $0.10 per unit in regards to the private placement completed in the year ended March 31, 2005.

10. RELATED PARTY TRANSACTIONS

During the year:

(a) $nil (2005 - $133,000) was advanced to a private company with a common director of the Company for drilling services to be rendered. Interest at prime plus 2% has been charged on balances owing, resulting in an aggregate balance of $94,153 owing at year-end;

(b) $26,300 (2005 - $18,172) was paid for accounting and corporate services to a private company owned by a director and the secretary of the Company;

(c) $59,540 (2005 - $65,988) was charged for office, occupancy and miscellaneous costs and salaries, and administrative services paid on behalf of the Company by a private company owned by the Company and three other reporting issuers and controlled by two directors of the Company;

(d) $30,000 (2005 - $15,000) was paid for consulting services to a private company owned by the daughter of the president of the Company;

(e) $30,000 (2005 - $15,000) was paid for management fees to a private company on behalf of the son-in-law of the president for services provided; and

10. RELATED PARTY TRANSACTIONS (Continued)

(f) $530 (2004 - $530) was paid for investor relations and communications to a private company owned by the president of the Company.

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties. With the exception of the disclosure above, there are no stated terms of interest or repayment on balances owing by related parties to the Company.

As at March 31, 2006, liabilities included $208,727 (2005 - $199,485) owing to directors of the Company or to private companies with directors in common. Amounts due are without stated terms of interest or repayment.

(Canadian Dollars)

11. INCOME TAXES

The components of income taxes are as follows:

	2006	2005
Future income taxes		
Non-capital loss carry-forwards for Canadian income tax purposes	$ 8,060,000	$ 7,765,000
Excess of undepreciated capital cost over net book value of fixed assets	354,000	354,000
Exploration expenditures for Canadian purposes		
Unused earned depletion base	675,000	675,000
Unused cumulative Canadian exploration expenses	2,976,000	2,814,000
Unused cumulative Canadian development expenses	2,127,000	2,179,000
Unused cumulative foreign exploration and development expenses	707,000	707,000
	14,899,000	14,494,000
Approximate Canadian tax rate	34.12%	35.62%
	5,083,539	5,162,763
Valuation allowance	(5,083,539)	(5,162,763)
	$ 0	$ 0

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

(Canadian Dollars)

11. INCOME TAXES (Continued)

The non-capital losses that may be carried forward to apply against future years' income for Canadian income tax purposes will expire as follows:

Available to		Amount
2007	$	121,000
2008		129,000
2009		111,000
2010		118,000
2011		174,000
2015		6,927,000
2016		480,000
	$	8,060,000

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2006		**2005**
		34.12%		35.62%
Income tax benefit computed at Canadian statutory rates	$	(72,170)	$	(20,724)
Temporary differences not recognized in year		(5,824)		(2,049)
Unrecognized tax losses		77,994		(78,702)
	$	-	$	(101,475)

Cash, exploration funds

Flow-through shares are issued by a company that incurs certain resource expenditures and renounces them for tax purposes allowing the expenditures to flow-through to the subscriber who purchased the shares. Subscribers may in turn claim expenditures as a deduction on their personal or corporate tax returns.

The total amount of funds raised through the issuance of flow-through shares must be spent on qualified mineral exploration. The proceeds of flow-through financing are restricted in use for Canadian Exploration Expenditures (“CEE”) under Canadian income tax legislation.

During fiscal 2005, the Company raised $520,000 from the issue of flow-through shares and has renounced this amount to flow-through shareholders. As at March 31, 2006, the amount of flow-through proceeds remaining to be expended by the Company on CEE is approximately $217,000.

12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND US GAAP)

(a) Recent US accounting pronouncements

(i) FAS 151, *Inventory Costs*. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 24, 2004. The provisions of this statement should be applied prospectively. There is no impact on the Company's financial statements.

(ii) FAS 152, *Accounting for Real Estate Time-Sharing Transactions*. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Restatement of previously issued financial statements is not permitted. There is no impact on the Company's financial statements.

(iii) FAS 153, *Exchanges of Non-Monetary Assets*. The provisions of this statement is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges occurring in fiscal periods beginning after December 16, 2004. The provisions of this statement should be applied prospectively. There is no impact on the Company's financial statements.

(iv) FIN 46(R), *Consolidation of Variable Interest Entities*, applies at different dates to different types of enterprises and entities, and special provisions apply to enterprises that have fully or partially applied Interpretation 46 prior to issuance of Interpretation 46(R). Application of Interpretation 46 or Interpretation 46(R) is required in financial statements of public entities that have interests in variable interest entities or potential variable interest entities commonly referred to as special purpose entities for periods ending after December 15, 2003. Application by public entities (other than small business issuers) for all other types of entities is required in financial statements for periods ending after March 15, 2004. Application by small business issuers to entities other than special purpose entities and by non-public entities to all types of entities is required at various dates in 2004 and 2005. In some instances, enterprises have the option of applying or continuing to apply Interpretation 46 for a short period of time before applying Interpretation 46(R). There is no impact on the Company's financial statements.

(v) In 2004, FASB issued a revision of FASB Statement No. 123(R), *Accounting for Stock-Based Compensation*. This statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. This revised pronouncement requires that all stock options and warrants be accounted for using the fair value method. This pronouncement had no impact on the Company, as the Company accounts for all options and warrants using the fair value method, under Canadian GAAP.

12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND US GAAP) (Continued)

(b) Resource properties

The acquisition in prior years of certain mining claims located in the Lillooet Mining Division, British Columbia acquired from a director and the acquisition of the Congress 5% net smelter return from companies with common directors are accounted for at cost, being the market value of the shares issued as consideration. Under US GAAP, these acquisitions would have been recorded at the directors' and related companies' original cost. If these financial statements were prepared in accordance with US GAAP, capital stock would be reduced by $1,696,550.

Under Canadian GAAP, exploration and development expenditures are capitalized (note 2(b)). Under US GAAP all exploration and development expenditures are charged to expenses when incurred.

(c) Marketable securities

Under Canadian GAAP, marketable securities are stated at the lower of their written down value and market value. For US GAAP securities are marked to market. Gains or losses are recognized in the statement of income when realized. For US GAAP purposes, the Company elected to treat its marketable securities as trading securities and any gains or losses are recognized in earnings in the period they occur.

(Canadian Dollars)

12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND US GAAP) (Continued)

(d) Reconciliation of total assets, liabilities and shareholders' equity at March 31:

		2006		2005
Total assets for Canadian GAAP	$	1,526,119	$	788,878
Adjustments to US GAAP				
Marketable securities		26,206		3,930
Capitalized mineral expenditures		(549,051)		(297,423)
Total assets for US GAAP	$	1,003,274	$	495,385
Total liabilities for Canadian GAAP	$	285,929	$	297,509
Adjustments to US GAAP		-		-
Total liabilities for US GAAP	$	285,929	$	297,509
Total capital stock for Canadian GAAP (note 9(b))	$	20,883,010	$	20,730,324
Adjustments to US GAAP				
Contributed surplus		191,315		-
Congress adjustment (note 12(b))		(1,696,550)		(1,696,550)
Total capital stock for US GAAP	$	19,377,775	$	19,033,774
Total deficit for Canadian GAAP	$	(20,629,388)	$	(20,228,955)
Adjustments to US GAAP				
Exploration adjustments		(549,051)		(297,423)
Marketable securities adjustments		26,206		3,930
Congress adjustment (note 12(b))		1,696,550		1,696,550
Total deficit for US GAAP	$	(19,455,683)	$	(18,825,898)
Subscriptions receivable for Canadian and US GAAP	$	(10,000)	$	(10,000)
Share subscriptions for Canadian and US GAAP	$	805,253	$	-
Total liabilities, capital stock and shareholders' deficit for US GAAP	$	1,003,274	$	495,385

(Canadian Dollars)

12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND US GAAP) (Continued)

(e) Reconciliation of loss reported in accordance with Canadian GAAP and US GAAP for the years ended March 31:

		2006		2005
Net loss per Canadian GAAP	$	(400,433)	$	(62,155)
Adjustments decreasing (increasing) net loss				
Differences in fair value of marketable securities		22,273		24,318
Exploration and development expenditures for year		(202,308)		(284,187)
Net loss per US GAAP	$	(580,468)	$	(322,024)
Net loss per common share Canadian GAAP - Basic	$	(0.02)	$	(0.01)
Net loss per common share for US GAAP	$	(0.02)	$	(0.01)
Weighted average number of common shares outstanding (Canadian and US GAAP)		25,965,033		21,838,576

(f) Comprehensive loss

Years ended March 31		2006		2005
Net loss per US GAAP	$	(281,241)	$	(62,155)
Other comprehensive income (loss)		-		-
Comprehensive loss per US GAAP	$	(281,241)	$	(62,155)

(Canadian Dollars)

12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND US GAAP) (Continued)

(g) Statement of cash flows

Years ended March 31	2006	2005
Net cash used in operating activities of continuing operations in accordance with Canadian GAAP	$ (71,865)	$ (224,531)
Adjustments to net loss involving use of cash		
Write-off expenditures on mineral interests	(255,284)	(284,187)
Net cash used in operating activities of continuing operations in accordance with US GAAP	(327,149)	(508,718)
Net cash used in investing activities of continuing operations in accordance with Canadian GAAP	(250,600)	(282,678)
Reclassification of expenditures on mineral property interests	255,284	284,187
Net cash provided by investing activities continuing operations in accordance with US GAAP	4,684	1,509
Net cash flows provided by financing activities continuing operations in accordance with Canadian and US GAAP	805,253	494,880
Net increase in cash in accordance with Canadian and US GAAP	482,788	(12,329)
Cash, beginning of year in accordance with Canadian and US GAAP	251,735	264,064
Cash, end of year in accordance with Canadian and US GAAP	$ 734,523	$ 251,735

13. SUBSEQUENT EVENTS

(a) On April 11, 2006, the Company completed a private placement involving the issuance of 9,550,000 units at a price of $0.10 per unit for gross proceeds of $955,000. Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share in the Company for $0.12 until April 12, 2007 and thereafter at $0.15 per share until August 12, 2008. Finder's fees of $21,800 were paid in connection with this offering. At year-end, $805,253 had been received for this private placement.

(b) On April 26, 2006, 1,000,000 stock options were granted to directors, employees and consultants of the Company at a price of $0.10 per share expiring April 25, 2011.