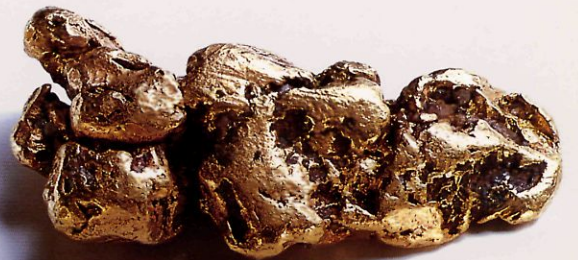


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Congress (Brx)  
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LEVON RESOURCES LTD.



ANNUAL REPORT, 1988

Levon Resources Ltd. explores and develops precious metals properties in Canada and the United States, with two gold projects scheduled for startup within a year. The Congress property in British Columbia is a lode gold project where recent high grade discoveries have led to a projected 1989 startup. At the Carbonate Hill open-pit gold project in Colorado, permitting is underway for production by late 1988 or early 1989. Levon's shares trade on the Toronto (LVN.T) and Vancouver (LVN.V) stock exchanges and the U.S. NASDAQ system (LVNVF).

LEVON RESOURCES LTD.  
**CORPORATE REVIEW**

Two gold mines advancing toward production simultaneously: one of them a large underground mine in Canada, the other a low-grade open pit mine in the United States. That is the distinct position in which Levon embarked on its 1988 fiscal year. The two properties involved are the Congress in the Bridge River Valley mining area of British Columbia and the Carbonate Hill concession in the Cripple Creek mining district of Colorado. I would like to inform you of recent developments on both properties.

On our Congress property, underground exploration continued to locate high grade gold, particularly on the Howard zone. Proven ore reserves have further increased, and updated totals will be announced progressively. Our project goal is to block out at least 210,000 tons of proven ore grading .30 ounces of gold per ton to begin production. Prior to the present underground program, previous exploration had outlined geological reserves (proven, probable and possible) totalling 670,000 tons grading .24 ounces of gold per ton. Permitting is underway for the construction of a 250 ton-per-day mill facility.

Besides the Congress, Levon owns interests in some 18,000 acres on nine properties in the Bridge River Valley. Historically the Bridge River district is considered the most productive in the province. Between 1897 and 1970, two mines in the district, Bralorne and Pioneer, produced more than 4.1 million ounces of gold.

At Carbonate Hill, bulk sampling tests provided information paramount to our recent production decision. Most important was the determination that this deposit, containing free gold of a relatively coarse nature (so-called "nugget effect"), would be most effectively mined by gravity separation rather than heap leaching. Testing is continuing and will assist in determining a proven ore reserve figure before production commences.

Carbonate Hill will operate as an open pit facility, with the intention of starting production at 1,000 tons of ore per day. Costs of production have been estimated at US\$200 per ounce or less, with capital costs projected at US\$3.5 million.

The decision to employ gravity separation was a positive development, both for achieving higher gold recoveries and accelerating the necessary mining permits from town, county and state authorities who appear to favor gravity circuits for environmental reasons.



Other than the Congress property, significant exploration results in the Bridge River area in 1987 were achieved on the Loco property, a joint venture with Coral Gold (30%) and Love Oil and Gas (40%). Surface trenching in the fall encountered a zone grading 2.30 ounces of gold per ton over a width of 9.4 feet. The assays were re-checked and averaged 2.90 ounces of gold per ton over the same width. The vein material was similar to that found in the Bralorne Mine, adjoining the Loco property to the south. We will explore the zone further by diamond drilling in 1988.

#### **LOOKING AHEAD**

Our primary goal is to achieve commercial gold production on both the Congress and Carbonate Hill gold projects as soon as possible. Both projects are in advanced stages, with production at Carbonate Hill possible this year. Not only will cash flow from gold sales enhance shareholders' equity, it will assist expansion and exploration funding.

We will continue our policy of debt-free operation. Our present cash position of \$3.8 million should provide adequate capital for current

exploration and development. However, should subsequent results from the Congress property justify a larger-scale underground operation than planned at present, additional funding will be required. With only 7.2 million (fully diluted) shares outstanding, equity funding remains an attractive option and may allow substantial growth without debt.

Exploration activities, exclusive of reserve expansion at Carbonate Hill and Congress, will center on Levon's other Bridge River properties. Surface gold discoveries on a number of claims justify further work, and literally thousands of acres of our mineral claims remain unexplored in areas known to contain gold showings. The exploration work in Canada may be financed by flow-through share offerings, whereby investors can participate in tax write-offs for exploration expenses. Additional precious metals opportunities will be sought in the year ahead.

As always, the directors wish to thank the supervisors, mine development personnel, geologists and staff who made the success of 1987 possible.

A handwritten signature in blue ink that reads "Louis Wolfkin". The signature is written in a cursive style and is positioned above a horizontal line.

LOUIS WOLFEN  
President of Levon Resources Ltd.



## CONGRESS PROPERTY

### SUMMARY

**Location:** Near Gold Bridge, British Columbia, approximately 100 miles north of Vancouver.

**Ownership:** Levon Resources 50 per cent; Veronex Resources 50 per cent.

**Area:** Approximately 2000 acres

**Minerals:** Gold

**Status:** Exploration; underground work in progress on two zones.

**Reserves:** Geological (proven, probable, possible) 670,000 tons grading .24 ounces of gold per ton.

Nine gold zones have been located on the Congress property. Drifting (horizontal tunneling) is underway on two zones, the Howard and Lou, to locate sufficient reserves to support a 250 ton-per-day mill facility. At present the project goal is to block out 210,000 tons of proven ore grading .30 ounces of gold per ton to begin production. Recent high grade intersections in the Howard drift may provide the required additional proven ore to meet reserve targets.

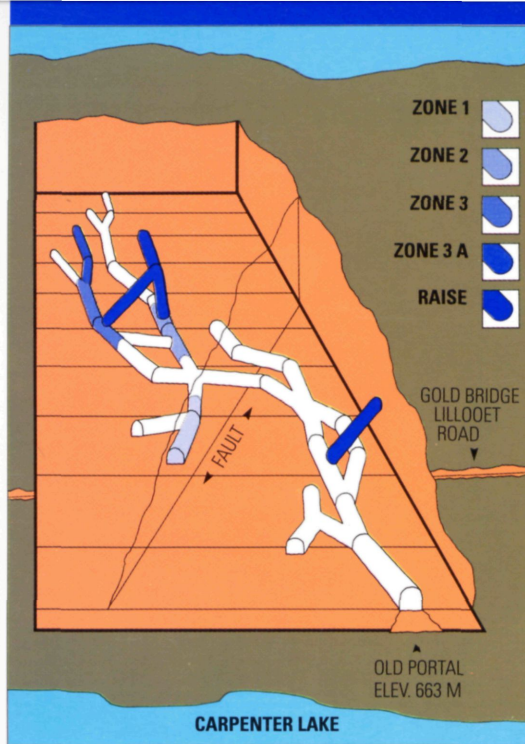
Progress on the main Howard drift now totals more than 1500 feet. Four raises (ascending tunnels) were completed and a sublevel drift, approximately 100 vertical feet above the main level (see map), had advanced more than 200 feet by May of 1988.



*The Upper Howard drift, located about 420 feet above the main Howard drift. It was opened in March of 1988.*

*The Congress gold property is located 100 air miles north of Vancouver, British Columbia.*





Top view of the Howard drift showing ore intersections to date.

To date four ore zones have been encountered in the main drift. Gold grades have consistently exceeded .30 ounces of gold per ton over mineable widths. The zones are summarized below:

Zone #	Average width (feet)	Length (feet)	Average grade (oz Au/ton)
1	7.0	60	.597
2	6.6	100	.624
3	3.3	184	.336
3A	3.3	170	.337

Diamond drilling from within the tunnel confirmed that in some sections the mineralized zones extended well beyond the tunnel. Gold-bearing intersections graded as high as 4.70 ounces of gold per ton over five feet and 2.48 ounces of gold per ton over 15 feet. The longest intersection, 30 feet, averaged .75 ounces of gold per ton.

Average grades in the raises and sublevel drift were generally between .20 and .40 ounces of gold per ton and samples ranged as high as 3.71 ounces per ton.

The upper Howard drift, located about 420 feet above the main Howard drift, was opened in March of 1988 to test the upward extension of ore zones located in the main level. Assay results are pending.

A decline (descending tunnel) was opened about 770 feet above Carpenter Lake on the Lou zone, located some 2000 feet east of the Howard zone. The decline is directed at an area where drilling in 1985 and 1986 identified a low-grade open-pit deposit at the north end of the vein and higher grade deeper intersections further south (toward Carpenter Lake). By early April the decline had advanced some 600 feet.

Under the direction of consultants Robinson Dames & Moore, site selection studies are presently underway for the plant site and tailings disposal facilities. A camp is under construction to house the miners now on site, and will be adaptable to house additional workers and accommodate expanded operations. An assay laboratory is also operating on site.



Howard vein material is washed prior to sampling. Grades have ranged up to .624 ounces of gold per ton along 100 feet of drift length. On the Congress property, underground exploration continued to locate high grade gold, particularly on the Howard zone.



## CARBONATE HILL PROPERTIES

### SUMMARY

- Location:** Cripple Creek, Colorado, approximately 75 miles southwest of Denver.
- Ownership:** Levon Resources 100 per cent leasehold interest.
- Area:** Approximately 300 acres.
- Minerals:** Gold
- Status:** Permitting in progress for 1,000 ton per day gravity separation facility. Startup expected late 1988 or early 1989.
- Current Reserves:** 3.0 million tons @ .06 ounces of gold per ton, plus 11.0 million tons @ .031 ounces per ton.

Carbonate Hill is scheduled to operate as an open pit facility with initial production costs estimated at us\$200 per ounce of gold or less. In the likely event of permit approval by mid-summer, construction should begin by August on a us\$3.5 million gravity separation mill with commercial production expected by late 1988 or early 1989.

*Drilling at Carbonate Hill in the past two years has outlined a large, low-grade free gold deposit within about 20 of the properties' 300 acres*

*Levon's Carbonate Hill property is located at Cripple Creek, Colorado about 75 miles southwest of Denver.*





Feasibility studies and bulk sampling in 1987 formed the basis of present ore reserve calculations. Development was originally directed at heap leach extraction. During the bulk sampling phase, project manager Richard Dwelley determined that, because the deposit contained free gold of a coarse nature, gravity separation yielded a higher recovery rate than did heap leach tests. The decision was made accordingly to extract the gold by gravity separation methods.

The deposit was initially defined by a 50,000 foot diamond drilling program in 1984 and 1985. This work outlined a large, low-grade free gold deposit. Drilling continued throughout 1986 and confirmed that an initial orebody of mineable grade was situated on some 20 of Carbonate Hill's 300 acres. Gold values ranged as high as .084 ounces of gold per ton over 100 feet and .044 ounces per ton over 204 feet. High grade pockets displayed values up to .42 ounces per ton over 64 feet and 12 ounces per ton over two feet.

Much of Carbonate Hill property remains unexplored. While the chief priority is currently production development, exploration is continuing on other gold targets within the claims.

At the turn of the century, Cripple Creek was the second-largest gold producing district in the United States. Production between 1895 and 1910 exceeded 20 million ounces of gold, equivalent to some \$8.0 billion at today's gold prices. Grades in the district's principal mines averaged over .50 ounces of gold per ton. Modern technology for extraction of lower-grade ores, combined with gold's recent price increase to over \$400 per ounce, have spurred a revival in the district as both major and junior mining companies look for open pit, low-grade gold properties that were rejected or missed by early-day miners.



*The district is experiencing a revival with modern technology for extraction of lower grade gold ores.*



OTHER PROPERTIES HELD BY LEVON IN THE BRIDGE RIVER,  
BRITISH COLUMBIA DISTRICT (9)



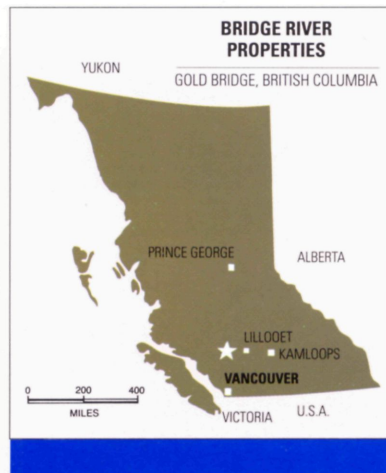
Mining crew at the old California portal on  
Levon's BRX property.

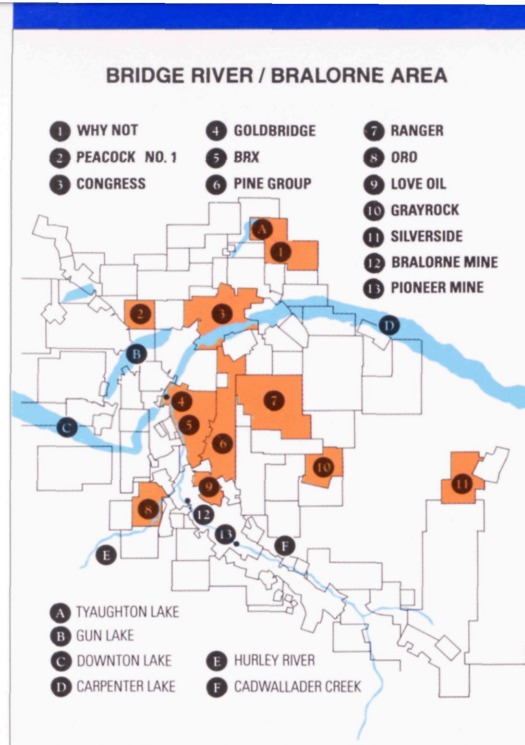
**Location:** Near Gold Bridge, British Columbia, approximately 100 miles north of Vancouver.

**Ownership:** BRX - Levon Resources 100 per cent.  
 Gray Rock - Levon Resources 100 per cent.  
 Loco - Levon Resources 30 per cent; Coral Gold 30 per cent; Love Oil and Gas 40 per cent.  
 Oro - Levon Resources 100 per cent.  
 Peacock No.1 - Levon Resources 100 per cent.  
 Pine Group - Levon Resources 100 per cent.  
 Ranger - Levon Resources 50 per cent; Tanker Oil and Gas 50 per cent.  
 Silverside - Levon Resources 100 per cent.  
 Why Not - Levon Resources 50 per cent; Inland Resources and Absolute Resources 50 per cent.

**Area:** Approximately 18,000 acres.

**Status:** Exploration.





*Property Holdings in the Bridge River/Bralorne area*

Besides the Congress, Levon's most important Bridge River holdings to date are the BRX and Loco properties. Both adjoin the Bralorne Mine property, and both have yielded high grade gold discoveries on surface.

On the BRX property, spectacular grab samples ran up to 560 ounces of gold per ton and 400 ounces of silver per ton. Such showings, even if erratic and nonrepresentative, do justify further exploration. Work crews cutting an access road on the property intersected five additional gold zones on surface. A few of these have been explored to some extent by diamond drilling, but the work has been preliminary in nature. The BRX will be explored further in 1988.

The Loco property has also yielded a significant surface discovery, perhaps the most significant outside of the Congress. Surface trenching in the fall of 1987 encountered a zone grading 2.30 ounces of gold per ton over a width of 9.4 feet. The assays were re-checked and averaged 2.90 ounces per ton over the same width. The vein material was similar to that found in the Bralorne Mine, the workings of which intersect the Loco claims at depth. The zone will be explored further by diamond drilling.

The Bridge River Valley has produced four million ounces of gold since its discovery in the 1850's, the largest total achieved by any lode gold camp in British Columbia. Two mines - Bralorne and Pioneer - accounted for most of this amount. At one time the Pioneer was considered the world's richest gold mine, and both operated until gold prices became prohibitively low in relation to costs in the 1960's.

With this impressive record of past production, the Bridge River area remains a prime prospect for modern day gold mining. Two factors make this possible. First, much of the area was prospected when modern exploration techniques did not exist. As a result, a number of gold zones were overlooked. Secondly, production peaked when funds for exploration were scarce. With gold then valued at us\$35 per ounce, a deposit generated little interest unless grades averaged .50 ounces of gold per ton or better.

Work on Levon's remaining Bridge River properties to date has located further gold occurrences and favorable exploration targets. A portion of these targets will be explored in 1988, and preliminary work will take place in many new areas.



*In addition to the Congress, work on Levon's nine other Bridge River properties has located a significant number of gold occurrences and favorable exploration targets.*

# AUDITORS' REPORT

## FINANCIAL HIGHLIGHTS

	1988	1987	1986	1985	1984
Assets (000)	<b>12,468</b>	C\$8,896	C\$6,714	2,854	1,085
Working Capital (000)	<b>3,607</b>	4,134	4,190	1,450	135
Long-Term Debt					
Interest Income	<b>321,727</b>	369,931	286,255	57,173	14,553
Net Loss	<b>140,198</b>	50,862	174,176	148,352	453,558
Loss per Share	<b>.03</b>	.01	.05	.09	.36
Equity (000)	<b>12,130</b>	8,858	6,125	2,833	1,068
Equity per Share	<b>2.10</b>	1.90	1.67	1.18	.78

To the Board of Directors of Levon Resources Ltd.:

We have examined the consolidated balance sheet of Levon Resources Ltd. as at March 31, 1988 and the consolidated statements of loss and deficit, resource properties and changes in financial position for the year ended March 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada applied on a basis consistent with that of the preceding year. The financial statements for the preceding years were reported on by another firm of Chartered Accountants.

Vancouver, B.C.  
May 13, 1988

*Amythe Ratcliffe & Associates*

Chartered Accountants

## REPORT OF FORMER AUDITORS

To the shareholders and directors of Levon Resources Ltd.:

We have examined the consolidated balance sheets of Levon Resources Ltd. as at March 31, 1987 and the statements of operations, shareholders' equity and changes in financial position for each of two years ended March 31, 1987 and 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1987 and 1986 and the results of its operations and the changes in its financial position for each of the two ended March 31, 1987 and 1986 in accordance with generally accepted accounting principles in Canada applied on a consistent basis.

Vancouver, B.C.  
April 21, 1987

*Manning Jamieson*

Chartered Accountants

## COMMENTS BY FORMER AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the expression of a qualified opinion when the financial statements are affected by significant uncertainties such as those described in Note 1(b) of the financial statements. The opinion in our report dated April 21, 1987 is expressed in accordance with Canadian requirements and is not qualified with respect to, and provides no reference to, these uncertainties since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Vancouver, B.C.  
May 13, 1988

*Amythe Ratcliffe & Associates*

Chartered Accountants

## COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

Additional information for United States shareholders is provided in Note 12 to disclose "Deficit Accumulated during the Exploration Stage" and the difference with respect to mineral property acquisitions.

In the United States, reporting standards for auditors require the expression of a qualified opinion when the financial statements are affected by significant uncertainties such as those described in Note 2 of the financial statements. The opinion in our report dated April 21, 1987 is expressed in accordance with Canadian requirements and is not qualified with respect to, and provides no reference to, these uncertainties since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Vancouver, B.C.  
April 21, 1987

*Manning Jamieson*

Chartered Accountants



LEVON RESOURCES LTD.  
**CONSOLIDATED BALANCE SHEET**  
 March 31, 1988 (Canadian Dollars)

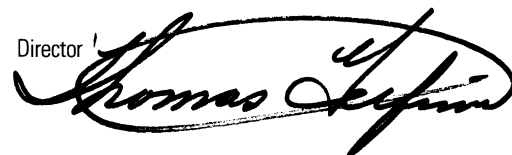
	1988	1987
<b>ASSETS</b>		
<b>Current</b>		
Cash and term deposits	\$ 3,850,105	\$ 4,053,690
Accounts receivable	60,878	118,247
Advances	34,500	97,484
	3,945,483	4,269,421
<b>RESOURCE PROPERTIES</b> (Note 2)	8,123,427	4,524,033
<b>INVESTMENTS</b> (Note 3)	55,998	55,998
<b>FIXED</b> , at cost less accumulated depreciation of \$73,878 (1987 - \$28,392)	343,271	46,453
	\$ 12,468,179	\$ 8,895,905
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 337,801	\$ 37,455
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK (Note 4)		
Authorized 20,000,000 Shares without par value (1987 - 10,000,000)		
Issued:		
5,757,665 Shares (1987 - 4,662,646)	14,523,369	11,111,243
<b>DEFICIT</b>	(2,392,991)	(2,252,793)
	12,130,378	8,858,450
	\$ 12,468,179	\$ 8,895,905

Approved by the Directors

Director



Director



See notes to consolidated financial statements

LEVON RESOURCES LTD.  
**CONSOLIDATED STATEMENT OF LOSS AND DEFICIT**  
For the Three Years Ended March 31 1988 (Canadian Dollars)

	1988	1987	1986
<b>REVENUE</b>			
Interest	\$ 321,727	\$ 369,931	\$ 288,386
<b>EXPENSES</b>			
Professional fees	130,240	94,274	146,841
Office and telephone	103,905	118,158	115,830
Shareholder information	90,471	63,113	35,816
Travel and entertainment	65,148	45,266	81,592
Consulting and management fees	26,704	40,354	36,400
Filing and listing fees	25,561	44,082	35,253
Licenses, fees and taxes	5,579	4,752	5,362
Bank charges and interest	5,331	6,417	3,507
Loss on write-off of vehicle	3,285	473	—
Depreciation and amortization	5,701	3,904	1,961
	461,925	420,793	462,562
<b>NET LOSS FOR YEAR</b>	140,198	50,862	174,176
<b>DEFICIT AT BEGINNING OF YEAR</b>	2,252,793	2,201,931	2,027,755
	\$ 2,392,991	\$ 2,252,793	\$ 2,201,931
<b>LOSS PER SHARE (Note 6)</b>	\$ 0.03	\$ 0.01	\$ 0.05

See notes to consolidated financial statements

LEVON RESOURCES LTD.  
**CONSOLIDATED STATEMENT OF RESOURCE PROPERTIES**  
For the Three Years Ended March 31, 1988 (Canadian Dollars)

	1988	1987	1986	Cumulative from Inception to March 31, 1988
<b>ACQUISITION COSTS OF CLAIMS</b>				
<b>CANADA</b>				
CONGRESS	\$ 1,319,313	\$ —	\$ 212,450	\$ 1,539,479
PINE	78,000	—	—	258,200
BRX	85,050	67,500	—	244,200
GREYROCK	—	—	—	96,810
RANGER	—	—	—	28,750
PEACOCK	8,600	—	—	19,175
SILVERSIDE	8,600	—	—	19,175
<b>UNITED STATES</b>				
CRIPPLE CREEK	57,220	124,614	131,335	313,169
	1,556,783	192,114	343,785	2,518,958
<b>EXPLORATION AND DEVELOPMENT EXPENDITURES</b>				
<b>CANADA</b>				
CONGRESS	1,070,781	163,127	22,561	2,013,088
BRX	247,707	428,169	115,097	800,239
PINE	17,861	54,217	70,109	166,344
BRIDGE RIVER	134,828	—	—	134,828
WHYNOT	5,420	1,255	46,436	53,111
SILVERSIDE	14,090	(9,282)	28,485	35,933
GREYROCK	106	—	30,746	34,736
PEACOCK	—	18,010	178	21,626
RANGER	1,014	2,596	6,497	10,077
<b>UNITED STATES</b>				
CRIPPLE CREEK	550,804	1,375,240	408,443	2,334,487
	2,042,611	2,033,332	728,552	5,604,469
<b>TOTAL</b>	<b>\$ 3,599,394</b>	<b>\$ 2,225,446</b>	<b>\$ 1,072,337</b>	<b>\$ 8,123,427</b>

See notes to consolidated financial statements



LEVON RESOURCES LTD.  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
For the Three Years Ended March 31 1988 (Canadian Dollars)

	1988	1987	1986
<b>OPERATING ACTIVITIES</b>			
<b>Net loss for year</b>	\$ (140,198)	\$ (50,862)	\$ (174,176)
Add:(Deduct) items not involving cash:			
Depreciation	5,701	11,612	7,737
Gain on asset disposals	—	—	(2,131)
Loss on write-off of vehicle	3,285	473	—
Incorporation costs written-off	—	—	1,569
	(131,212)	(38,777)	(167,001)
<b>CHANGE IN NON-CASH WORKING CAPITAL ITEMS</b>	420,709	(21,999)	(41,234)
	289,497	(60,776)	(208,235)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares for cash	1,912,563	2,784,493	3,465,561
Issuance of shares for property	1,499,563	—	—
Proceeds (decrease) from share subscriptions	—	(534,007)	534,007
Proceeds from insurance claim on vehicles	25,528	14,880	—
Advances from related companies	—	4,168	13,561
	3,437,654	2,269,534	4,013,129
<b>INVESTING ACTIVITIES</b>			
Resource property additions	(3,599,394)	(2,256,693)	(1,170,352)
Fixed asset additions	(331,342)	(26,025)	(51,643)
Proceeds on sale of investment	—	—	108,792
	(3,930,736)	(2,282,718)	(1,113,203)
<b>INCREASE (DECREASE) IN CASH AND TERM DEPOSITS</b>	(203,585)	(73,960)	2,691,691
<b>CASH AND TERM DEPOSITS AT BEGINNING OF YEAR</b>	4,053,690	4,127,650	1,435,959
<b>CASH AND TERM DEPOSITS AT END OF YEAR</b>	\$ 3,850,105	\$ 4,053,690	\$ 4,127,650

See notes to consolidated financial statements

LEVON RESOURCES LTD.  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three Years Ended March 31, 1988 (Canadian Dollars)

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with generally accepted accounting principles in Canada and conform in all material respects with those in the United States.

### **(a) Consolidation:**

The consolidated financial statements include the accounts of Levon Resources Ltd. and its wholly-owned subsidiary, Levon Resources, Inc., a Colorado, U.S. corporation.

### **(b) Resources properties:**

Direct exploration and development expenditures on resource properties are deferred in the accounts. When production is attained, these costs are amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made. The costs of searching for and investigating potential development properties are expensed in the year incurred.

The ultimate realization of the resource property costs and expenditures is dependent upon the discovery of commercially exploitable ore bodies.

### **(c) Depreciation and amortization:**

Depreciation and amortization of fixed assets is provided on the following basis and annual rates

Buildings - 5% declining balance  
Furniture and equipment - 20% declining balance  
Automobile - 30% declining balance  
Leasehold improvements - 20% straight-line

### **(d) Foreign currency translation:**

The company applies the temporal method recommended by the Canadian Institute of Chartered Accountants to translate transactions and accounts in foreign currency from its integrated foreign operations. Foreign exchange gains and

losses are included in income in the year except for unrealized gains and losses related to non-hedged monetary assets and liabilities with a fixed or ascertainable life extending beyond one year. These unrealized gains and losses are deferred and amortized to income over the remaining life of such assets or liabilities.

### **(e) Flow-through common shares:**

The company finances a portion of its exploration programs with flow-through common share issues. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from common shares issued pursuant to flow-through financing are credited to share capital.

### **(f) Comparative figures:**

Certain of these figures have been restated to conform with the current year's presentation.

## **2. RESOURCE PROPERTIES**

### **(a) Congress claims:**

The Company owns a 100% leasehold interest in 3 mineral claims as well as 9 crown granted claims and other numerous mineral claims in the Lillooet Mining Division, British Columbia. The total consideration paid included \$8,215 cash and the issuance of 148,368 shares at a total deemed price of \$1,000.

During the current fiscal year, the company reacquired the 5% net smelter royalty from third parties by issuing 277,750 shares at \$4.75 per share.

The Congress claims are also subject to the 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 the above 5% net smelter royalty by expending \$1,000,000 during 1987. Any further investment of funds are to be contributed equally by the Company and Veronex.

LEVON RESOURCES LTD.  
**NOTES TO CONSOLIDATED FINANCIAL POSITION**  
For the Three Years Ended March 31 1988 (Canadian Dollars)

**2. RESOURCE PROPERTIES** (Continued)

**(b) Pine claims:**

The Company has the option to purchase a 100% interest in 15 mineral claims located in the Lillooet Mining Division, British Columbia. The option for 6 claims is exercisable upon the issuance of 200,000 shares at \$1.70 per share as follows:

50,000 shares on or before January 30, 1985  
50,000 shares on or before May 30, 1988  
50,000 shares on or before May 30, 1989  
50,000 shares on or before May 30, 1990

The option agreement also provides for work commitments of no less than \$100,000 to be expended on exploration and development within 180 days preceding each of the last three share issuances.

To date, 50,000 shares have been issued.

The option for the remaining 9 claims is exercisable as part of a second option agreement which includes 2 BRX claims and 1 claim each in the Silverside and Peacock Group. The option for these 13 claims is exercisable upon payment of \$25,000 cash and the issuance of 200,000 shares at a deemed value of \$2.25 per share as follows:

50,000 shares on or before January 30, 1985  
50,000 shares on or before May 30, 1988  
50,000 shares on or before May 30, 1989  
50,000 shares on or before May 30, 1990

The option agreement also provides for work commitments of no less than \$115,000 to be expended on exploration and development within 180 days preceding each of the last three share issuances.

To date, \$25,000 cash has been paid and 100,000 shares have been issued.

**(c) BRX claims**

The Company has the option to purchase a 100% interest in 64 mineral claims located in The Lillooet Mining Division, British Columbia. The option is exercisable upon the issuance of 200,000 shares at a deemed value of \$1.355 per share as follows:

50,000 shares on or before March 13, 1985  
50,000 shares on or before June 17, 1986  
50,000 shares on or before May 30, 1989  
50,000 shares on or before May 30, 1990

The option agreement also provides for work commitments of no less than \$115,000 to be expended on exploration and development within 180 days preceding each of the last three share issuances.

To date, 150,000 shares have been issued.

The option for an additional 2 claims is exercisable as part of a second option agreement which includes 9 claims in the Pine Group and 1 claim each in the Silverside and Peacock Group. The option for these 13 claims is exercisable upon payment of \$25,000 cash and the issuance of 200,000 shares at \$2.25 per share as follows:

50,000 shares on or before January 30, 1985  
50,000 shares on or before May 30, 1988  
50,000 shares on or before May 30, 1989  
50,000 shares on or before May 30, 1990

The option agreement also provides for work commitments of no less than \$115,000 to be expended on exploration and development within 180 days preceding each of the last three share issuances.

To date, \$25,000 cash has been paid and 100,000 shares have been issued.

The Company owns 1 claim named the Buston Claim which was purchased for \$2,500 cash and forms part of the BRX group.

**(d) Greyrock claims:**

The Company owns a 100% interest in 4 mineral claims located in the Lillooet Mining Division, British Columbia. These Claims were acquired for \$14,010 cash and the issuance of 60,000 shares at a deemed price of \$82,800.

**(e) Ranger claims:**

The Company owns a 50% interest in 5 mineral claims located in the Lillooet Mining Division, British Columbia. These claims were acquired for \$28,750 cash.



LEVON RESOURCES LTD.  
**NOTES TO CONSOLIDATED FINANCIAL POSITION**  
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**(f) Peacock claims:**

The Company has the option to purchase a 100% interest in 1 claim located in the Lillooet Mining Division, British Columbia. The option is exercisable as part of an option agreement which includes 9 claims in the Pine Group, 2 claims in the BRX Group and 1 claim in the Silverside Group. The option for these 13 claims is exercisable upon payment of \$25,000 cash and the issuance of 200,000 shares at a deemed value of \$2.25 per share as follows:

50,000 shares on or before January 30, 1985  
50,000 shares on or before May 30, 1988  
50,000 shares on or before May 30, 1989  
50,000 shares on or before May 30, 1990

The option agreement also provides for work commitments of no less than \$115,000 to be expended on exploration and development within 180 days preceding each of the last three share issuances.

To date, \$25,000 cash has been paid and 100,000 shares have been issued.

**(g) Silverside claims:**

The Company has the option to purchase a 100% interest in 1 claim located in the Lillooet Mining Division, British Columbia. The option is exercisable as part of an option agreement which includes 9 claims in the Pine Group, 2 claims in the BRX Group and 1 claim in the Peacock Group. The option for these 13 claims is exercisable upon payment of \$25,000 cash and the issuance of 200,000 shares at a deemed value of \$2.25 per share as follows:

50,000 shares on or before January 30, 1985  
50,000 shares on or before May 30, 1988  
50,000 shares on or before May 30, 1989  
50,000 shares on or before May 30, 1990

The option agreement also provides for work commitments of no less than \$115,000 to be expended on exploration and development within 180 days preceding each of the last three share issuances.

To date, \$25,000 cash has been paid and 100,000 shares have been issued.

**(h) Cripple Creek claims:**

The Company has acquired a 100% leasehold and sub-leasehold interest in certain mineral claims in Teller County, Colorado. This was acquired by payment of \$255,949 cash. The option to lease and sublet agreement also required work commitments of \$660,000 to be expended on exploration and development by September 11, 1987. By agreement as of September 11, 1987, the Company has one year to complete a feasibility study on this property, following the completion of which the Company has 90 days in which to determine whether to exercise the option.

The Company acquired a 100% interest in certain mining claims in Teller County, Colorado during the current fiscal year. These claims were acquired for \$57,220 cash.

**(i) Why Not claims:**

The Company has an option to purchase a 50% interest in certain mineral claims in the Lillooet Mining Division, British Columbia. The option agreement requires work commitments of \$75,000 to be expended on exploration and development by May 30, 1988. To date, \$53,111 has been expended.

**(j) Bridge River claims:**

By an agreement dated May 29th, 1987, the company, with Coral Gold Corp. Ltd. ("Coral") of Vancouver, B.C., and Love Oil Company, Inc. ("Love Oil"), of Denver, Colorado, the company and Coral were granted the sole and exclusive option to jointly acquire a 60% undivided interest in certain Crown granted mineral claims in the Bridge River area of Southwestern British Columbia.

This property is to be held jointly by the Company and Coral, who are required to make joint aggregate expenditures on the property of \$750,000 on or before May 29th, 1990, of which \$100,000 must be spent by May 29th, 1988, and a further \$250,000 which must be spent by May 29th, 1989. Love Oil has retained a 5% net smelter return royalty over these claims.

In conjunction with this option, the Company will enter into a joint venture agreement with Coral and Love Oil upon exercise of the option whereby the parties must pay their proportionate share of further expenditures on the Love Oil property.

LEVON RESOURCES LTD.  
**NOTES TO CONSOLIDATED FINANCIAL POSITION**  
 For the Three Years Ended March 31 1988 (Canadian Dollars)

**3. INVESTMENTS**

	Number of shares	1988	1987
Investments			
Avino Mines & Resources Ltd.	21,000	\$ 55,997	\$ 55,997
Omega Equities Corp.	57,000	1	1
		55,998	55,998
Market value of investments		\$ 17,010	\$ 29,400

The Company has not written the investment down to market value as the decline is not considered permanent.

The Company and Avino have common directors.

**4. CAPITAL STOCK**

	Shares	Net Amount
(a) Balance at beginning of year		
Issued for:		
Cash	\$ 4,125,646	\$ 9,957,547
Resource properties	489,000	633,250
Shares of former subsidiary	48,000	520,446
	4,662,646	11,111,243
Issued during year for:		
Cash	717,259	1,914,070
Resource properties	377,750	1,499,563
Balance at end of year	\$ 5,757,665	\$ 14,523,369

(b) Of the total issued shares, 37,500 are held in escrow subject to the direction and determination of the Vancouver Stock Exchange.

(c) Stock options outstanding to directors and employees at March 31, 1988 are as follows:

(i) 9,500 shares exercisable at \$2.52 per share to August 21, 1991.

(ii) 323,000 shares exercisable at \$2.40 per share to November 19, 1992.

**5. RELATED PARTY TRANSACTIONS**

(a) Accounts receivable include \$2,038 (1987 - \$4,138) due from companies with common directors.

(b) Rent, administration and management fee costs totalling \$67,594 (1987 - \$73,350) were paid to a company with a common director.

(c) During the year, the Company reacquired the 5% net smelter royalty of the Congress claims (Note 2(a)) from related parties including a director of the Company.

(d) Accounts payable include \$69,026 due to a company with common directors.

LEVON RESOURCES LTD.  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
 For the Three Years Ended March 31, 1988 (Canadian Dollars)

**6. LOSS PER SHARE**

Loss per share is based on the weighted average number of shares outstanding during the year.

**7. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES**

The primary difference in the application of generally accepted accounting principles (GAAP) between Canada and the United States for the company pertain to the treatment of the following:

The acquisition of certain mining claims in the BRX Group, the Pine Group, the Silverside Group and the Peacock Group, all located in the Lillooet Mining Division, British Columbia, from a director have been accounted for at cost. The reacquisition of the Congress 5% Net Smelter Return was acquired from companies with common directors at cost. Under United States GAAP these acquisitions would have been recorded at the Directors' and related Companies original cost. If these financial statements were prepared in accordance with the United States GAAP, the resource properties would be recorded at a cost of \$6,218,7 (1987 - \$4,121,884) and share capital would be stated at \$12,643,668 (1987 - \$10,734,094).

Investment in Avino Mines & Resources Ltd. has been accounted for at cost. Under United States GAAP this investment would have been written down to its market value. If these financial statements were prepared in accordance with the United States GAAP, the investment would be written down to \$17,010 (1987 - \$29,400) deficit would be stated at \$2,431,978 (1987 - \$2,279,390).

**8. SUBSEQUENT EVENTS**

Subsequent to the year end, the Company received regulatory approval for a March 18, 1988 private placement for 755,000 shares at \$2.68 per share to net the Company \$1,918,000 and for a March 18, 1988 flow-through private placement for 400,000 shares at \$3.10 per share to net the Company \$1,212,000 not reflected in these financial statements.

**9. COMMITMENTS**

On January 1, 1988 the Company entered in to an agreement with a non-related management company whereby this company will provide Levon with management and administrative services.

Under the agreement, the Company must pay the management company the greater of \$2,000 per month or 15% of expenditures incurred on behalf of the Company, less a volume discount, and rental charge for the office space.

The agreement is for an initial term of one year and continues from year to year thereafter subject to termination on one month's notice by the Company

**10. AVAILABLE LOSS CARRY FOWARDS**

The Company has available approximate losses which may be carried forward to apply against future income for income tax purposes as follows:

Available to	Amount
1990	\$ 47,000
1991	96,000
1992	148,000
1993	172,000
1994	47,000
1995	136,000
	\$ 646,000

## CORPORATE DIRECTORY

### **Head Office**

100 - 455 Granville Street  
Vancouver, British Columbia  
V6C 1T1  
(604) 682-3701

### **Field Offices**

Gold Bridge Office  
General Delivery  
Gold Bridge, British Columbia  
V0K 1P0

Levon Resources Colorado  
151 East Bennett Avenue  
P.O. Box 367  
Cripple Creek, Colorado 80813  
(719) 689-2162

### **Directors**

Louis Wolfin  
Joseph Field  
G. Martin Greer  
Paul Coombs  
Thomas Gelfand  
Zoubida Coblentz

### **Officers**

Louis Wolfin, President  
G. Martin Greer, Vice President  
Sandra Roy, Secretary

### **Shares Listed**

Toronto Stock Exchange, symbol LVN.T  
NASDAQ, symbol LVNVF  
Vancouver Stock Exchange, symbol LVN.V

### **Auditors**

Smythe Ratcliffe  
Chartered Accountants  
700 - 355 Burrard  
Vancouver, British Columbia

### **Registrar and Transfer Agent**

Guaranty Trust Company of Canada  
800 West Pender Street  
Vancouver, British Columbia

### **Investor/Broker Inquiry**

Terry Dove, Jim Baylis - Investor Relations  
(604) 682-3701

**LEVON** RESOURCES LTD.

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