

Levon Res.
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Congress

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.

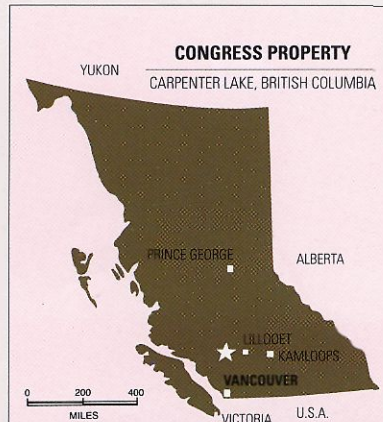


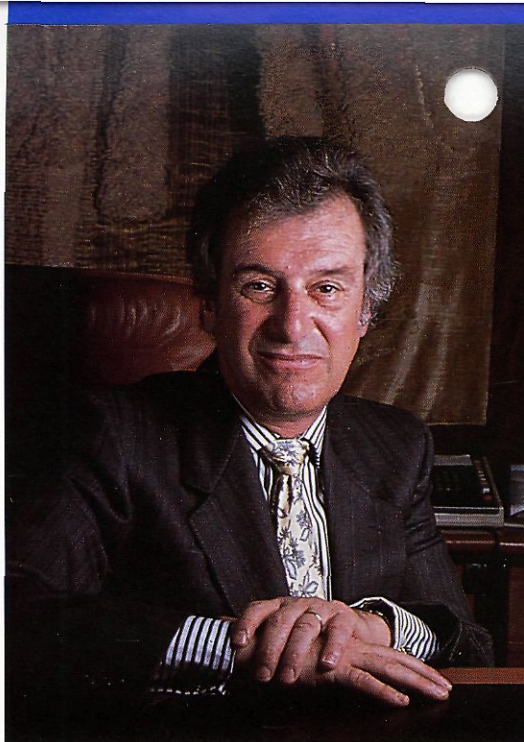
Nine gold zones have been located on the Congress property. Drifting (horizontal tunneling) is underway on two zones, the Howard and Lou, to locate sufficient reserves to support a 250 ton-per-day mill facility. At present the project goal is to block out 210,000 tons of proven ore grading .30 ounces 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.





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

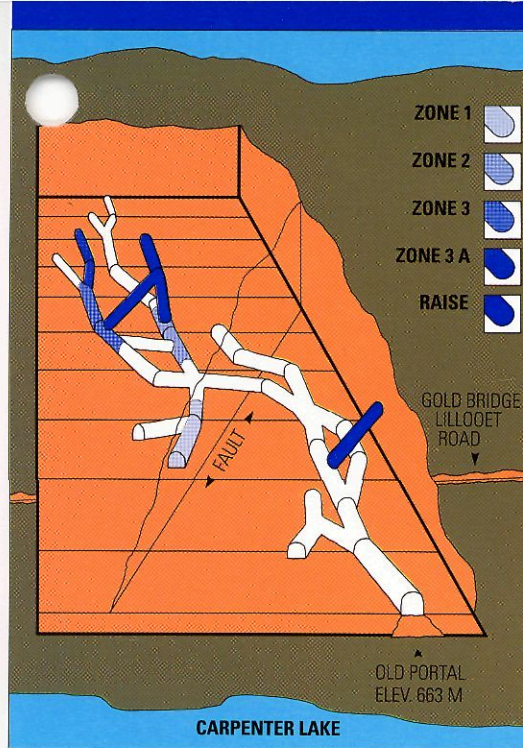
exploration and development. However, should subsequent results from the Congress property justify a larger-scale underground operation than planned at present, additional funding will be required. With only 7.2 million (fully diluted) shares outstanding, equity funding remains an attractive option and 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 Wolfin". The signature is written in a cursive style and is positioned above a horizontal line.

LOUIS WOLFEN
President of Levon Resources Ltd.



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

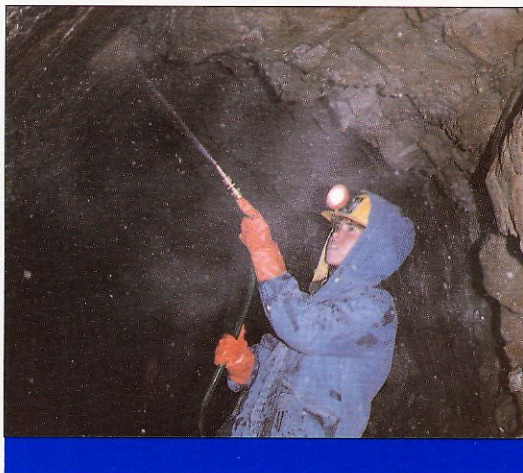
Diamond drilling from within the tunnel confirmed that in some sections the mineralized zones extended well beyond the tunnel. Gold-bearing intersections graded as high as 4.70 ounces of gold per ton over five feet and 2.48 ounces of gold per ton over 15 feet. The longest intersection, 30 feet, averaged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



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



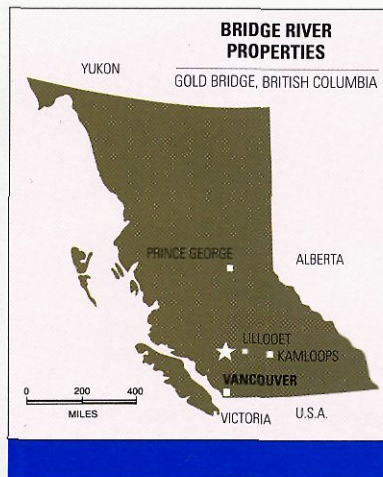
Mining crew at the old California portal on
Levon's BRX property.

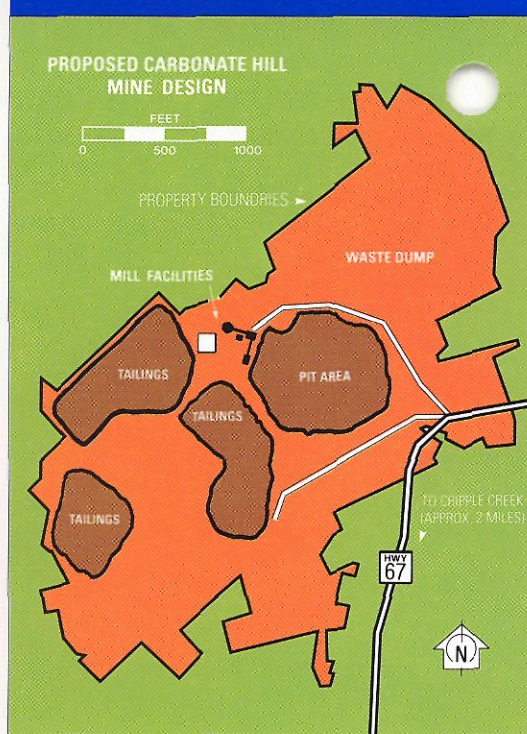
Location: Near Gold Bridge, British Columbia, approximately 100 miles north of Vancouver.

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.
Silerside - 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.



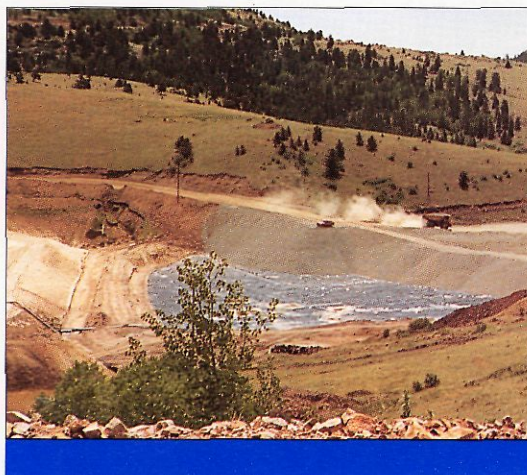


Feasibility studies and bulk sampling in 1987 formed the basis of present ore reserve calculations. Development was originally directed at heap leach extraction. During the bulk sampling phase, project manager Richard Dwelley determined that, because the deposit contained free gold of a coarse nature, 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.

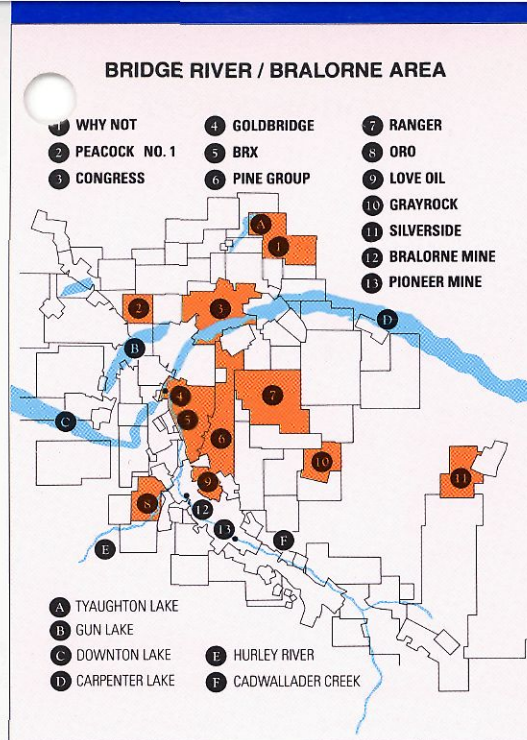
The deposit was initially defined by a 50,000 foot diamond drilling program in 1984 and 1985. This work outlined a large, low-grade free gold deposit. Drilling continued throughout 1986 and confirmed that an initial orebody of mineable grade was situated on some 20 of Carbonate Hill's 300 acres. Gold 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 us\$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.



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.

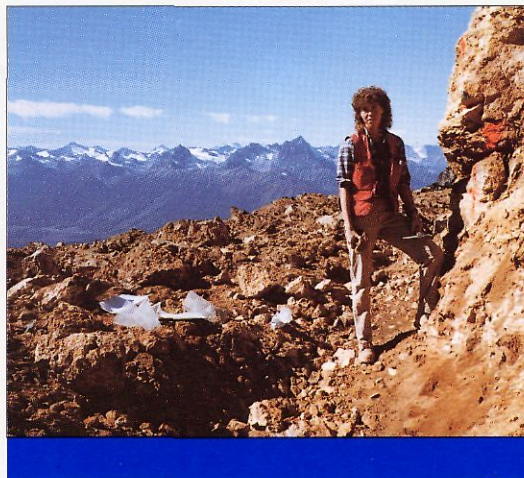
On the BRX property, spectacular grab samples ran up to 560 ounces of gold per ton and 400 ounces of silver per ton. Such showings, even if erratic and nonrepresentative, do justify further exploration. Work crews cutting an access road on the property intersected five additional gold zones on surface. 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)	12,468	C\$8,896	C\$6,714	2,854	1,085
Working Capital (000)	3,607	4,134	4,190	1,450	135
Long-Term Debt					
Interest Income	321,727	369,931	286,255	57,173	14,553
Net Loss	140,198	50,862	174,176	148,352	453,558
Loss per Share	.03	.01	.05	.09	.36
Equity (000)	12,130	8,858	6,125	2,833	1,068
Equity per Share	2.10	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

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

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 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)

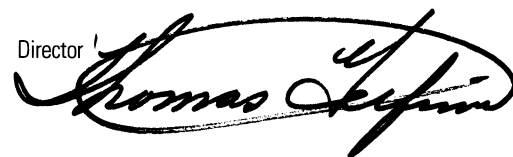
	1988	1987
ASSETS		
Current		
Cash and term deposits	\$ 3,850,105	\$ 4,053,690
Accounts receivable	60,878	118,247
Advances	34,500	97,484
	3,945,483	4,269,421
RESOURCE PROPERTIES (Note 2)	8,123,427	4,524,033
INVESTMENTS (Note 3)	55,998	55,998
FIXED , at cost less accumulated depreciation of \$73,878 (1987 - \$28,392)	343,271	46,453
	\$ 12,468,179	\$ 8,895,905
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 337,801	\$ 37,455
SHAREHOLDERS' EQUITY		
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
DEFICIT	(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
REVENUE			
Interest	\$ 321,727	\$ 369,931	\$ 288,386
EXPENSES			
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
NET LOSS FOR YEAR	140,198	50,862	174,176
DEFICIT AT BEGINNING OF YEAR	2,252,793	2,201,931	2,027,755
	\$ 2,392,991	\$ 2,252,793	\$ 2,201,931
LOSS PER SHARE (Note 6)	\$ 0.03	\$ 0.01	\$ 0.05

See notes to consolidated financial statements