Levon acquires 10% of one of Nevada's most promising precious metals assets

Last week, the precious metals explorer Levon Resources ('Levon', TSX: LVN | OTCQX: LVNVF) announced that the company has entered into an agreement with the emerging gold producer Pershing Gold Corporation to purchase a total of USD$ 9.85 million worth of its shares (35,178,572 ordinary shares). This corresponds to 9.9% of the total. In a separate release, Levon has announced that the company will conduct a private placement of $ 5.4 million to finance this investment, which will include the participation of a number of U.S. investors. Levon is a Canadian gold, silver, zinc and lead and precious metals exploration company that is engaged in the acquisition, exploration and development of natural resource properties in Canada, Nevada and Mexico. Its flagship is the silver, gold, lead and zinc Cordero project, which is located 220 km south of Chihuahua, Mexico.

Levon recently reported that it has completed the fourth phase of drilling at the Cordero property involving 24 core holes testing the Aida claim, located in the middle of the property. Levon has received 14 Assays so far, revealing considerable potential tonnage for silver (Ag), gold (Au), zinc (Zn), and lead (Pb) mineralization, which is present from the surface in and around the Aida claim. Levon also noted that three of the new holes "intersected wide, higher grade mineralization across mineralized volcanic feeder zones at depth within the volcanic Cordero Felsic Dome Complex". Levon will benefit from Nevada's prolific resources. Nevada gold mines represent excellent opportunities because of the quality of the assets and the potential for expansion, which translates to excellent productivity. Pershing is located along the highway, just two hours away from Reno in one of the most active mining jurisdictions of North America. Moreover, Pershing has a fast-track to the production phase because its project is based on reviving the Relief Canyon mine (three open-pit mines and a modern and ready to operate – permits included – heap-leach processing facility). Pershing's assets include a total of 25,000 acres of land covering the Relief Canyon mine and all of the surrounding territory; its former owners abandoned the project.

The Relief Canyon was once known as the 'Batavia and Pacific Mine' and its production history goes back to 1869 when silver ore was extracted. Gold would be discovered there 110 years later in 1979 and Lancana Mining started gold extraction in 1984. After a series of owners, Firstgold Corp. (with Chinese financial backing) tried to take over the mine in 2008 but the US federal Committee on Foreign Investment denied the deal, claiming that the mine was too close to a sensitive national security asset (the Fallon Naval Air Station) to support a foreign entity. Creditors took over the asset from Firstgold, which had to declare bankruptcy, who then sold the asset to Pershing in 2011 after a thorough review of the mine's history. It happens that the mine has an excellent production record even as it is located in a territory that has been under-exploited leaving many new exploration targets. Pershing is counting on the mine's combination of fresh exploration potential and existing productive assets as the basis of its appeal to investors. Pershing can also count on an experienced geological and engineering team and a turnkey and current crushing and leaching facility. Through Pershing, Levon has buttressed its already high potential Mexican operations with one of the most promising resources in the United States.

Mexican authorities have been generous with Canadian (and others) firms , encouraging them to invest in Mexico's best precious metals mines, imposing relatively few controls on production and offering many concessions covering an area close to 100 million hectares, most of which available in the prolific States of Chihuahua, Zacatecas, Sonora and Durango. Chihuahua alone accounts for 17% of Mexico's gold production. As Mexico and Nevada prepare for increased gold production and exploration, China, which has recently become the world's largest gold producer, will be cutting back output significantly in the coming years. Chinese miners are concerned by their lower profitability as gold prices remain below expectations. However, the slowdown in China is welcome news to miners elsewhere, because while Chinese gold production may experience a setback, Chinese gold consumption remains high, which translates to an increasing dependence on imports in order to satisfy demand. Chinese gold miners may also be targeting overseas projects to address this demand, which can only increase the value of gold companies holding interesting assets with superior exploration potential and convenient infrastructure such as the ones held by Levon. The history of the Pershing asset certainly testifies to this. In 2007, China had become the largest gold producer in the world, surpassing South Africa and in 2013, China overtook India as the largest gold consumer.

Mexico's mining sector growth has also been encouraged by political and financial stability and from its proximity to the United States. Even when the US economy is lagging, Mexico also manages to secure strong export of its minerals to China. Indeed, demand from China will continue to stimulate the Mexican mining sector as the Asian giant is investing heavily in Latin America. Currently, China is the largest gold, zinc and lead producer but if it wants to continue its industrial development, it will be forced to consume more than 50 % of major mineral commodities in the world in the next decade. Moreover, China is also trying to contain environmental pollution deriving from several mining activities – most famously rare earths – so it will need to find alternative sources beyond its borders. Levon is certainly in a position to benefit from just such demand. Indeed, to meet Chinese demand, the global market is witnessing a phenomenon of mergers and purchases from Chinese mining companies, which has significantly affected the Mexican market. For example, the Jinchuan Group Ltd made an offer for Tyler Resources' proposed copper, zinc, molybdenum, silver and gold in the state of Chihuahua. It is very likely that Chinese investors will be looking to buy more companies.

The need for raw materials in the world is growing and in fact many projects are underway in Mexico. Canadian companies like Levon are well positioned to meet this demand. Mexico has an open market economy with a skilled workforce and has signed several free trade treaties such that it has a free trade agreement with 41 countries. Mexico is a signatory to the North American Free Trade Agreement (NAFTA) with Canada and the United States which entered into force in 1994 liberalizing trade between the three countries.