

# Discovery Metals Corp. and Levon Resources Ltd. Enter Into Arrangement Agreement

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VANCOUVER, May 30, 2019 - [Discovery Metals Corp.](#) ("Discovery") (TSXV: DSV) and [Levon Resources Ltd.](#) ("Levon") (TSX: LVN) are pleased to announce that they have entered into an arrangement agreement (the "Arrangement") to combine Discovery and Levon to create a leading silver-focused exploration and development company that will control several district-scale projects in Mexico (the "Transaction").

## Summary of the Arrangement

Pursuant to the Transaction, Discovery has agreed to acquire, through a wholly-owned subsidiary, all of the issued and outstanding common shares of Levon (collectively, the "Levon Shares") by way of a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement"). Pursuant to the terms of the Arrangement, shareholders of Levon (the "Levon Shareholders") will receive 0.55 (the "Exchange Ratio") of a common share of Discovery (each whole share, a "Discovery Share") for every Levon Share held, based on the closing price of C\$0.23 per Discovery Share on the TSX Venture Exchange on May 29, 2019. Upon the closing of the Transaction, former shareholders of Levon will hold 49.6% of the Discovery common shares outstanding, while former shareholders of Discovery will hold 50.4% of the Discovery common shares outstanding.

## Benefits of the Arrangement

The proposed Arrangement offers a number of benefits to the shareholders of both Discovery and Levon, including:

- a leading Mexican silver-focused exploration and development company with an enhanced capital markets profile;
- a larger corporate entity that should attract broader institutional and retail investor interest and enhanced trading liquidity;
- significant synergies between the two management teams; and
- corporate general and administrative cost savings.

For Levon Shareholders, the Transaction will give them exposure to:

- an experienced management team and a board with project development and financing expertise to accelerate the development of the Cordero Project;
- the financial resources to continue advancing the Cordero Project in the near-term; and
- a diversified asset base, adding Discovery's three drill-ready exploration projects with considerable upside.

For shareholders of Discovery, the Transaction:

- adds a significant resource base in one of Mexico's premier mining districts close to existing infrastructure;
- diversifies Discovery's asset base to include a development-stage project where continued exploration and project optimization offer the potential for resource expansion; and
- gives exposure to another underexplored regional property package with the potential for new discoveries.

Discovery controls over 150,000 hectares of historically mined and highly prospective ground in Coahuila State, Mexico, encompassing three shallow and high-grade silver-zinc-lead projects (Puerto Rico, Minerva, and Monclova), as well as several other early-stage showings and prospects. Prior to Discovery's

involvement, no systematic exploration or drill testing had been completed. Discovery's extensive mapping and sampling programs at all three key projects has identified many priority drill targets.

The Puerto Rico Project comprises several past-producing, high-grade underground mines centered on an 8 km x 2 km mineralized corridor. Historical production from the Puerto Rico Project has been estimated at 1 million tonnes ("Mt") grading approximately 40% zinc ("Zn") along with high silver ("Ag") and lead ("Pb") grades.<sup>1</sup> Discovery's recent systematic underground sampling program comprising over 800 channel samples across three historic mines returned strong Ag-Zn-Pb grades. At one of the mines, 95 channel samples across mineralization had an average of 27.4% Zn equivalent ("Eq") (137 g/t Ag, 18.0% Zn, 8.7% Pb). At the Minerva and Monclova projects, recent channel sampling programs also returned high Ag-Zn-Pb grades at surface, including an average of 636 g/t AgEq (90 g/t Ag, 7.7% Zn, 2.0% Pb) in the top 30 mineralized samples at Minerva and an average of 1,090 g/t AgEq (380 g/t Ag, 10.0% Zn, 2.5% Pb) in the top 25 mineralized samples at Monclova.<sup>2</sup>

Levon's primary asset is the 100%-owned Cordero Project ("Cordero") located in one of Mexico's premier porphyry and carbonate replacement deposit (CRD) districts in Chihuahua State, Mexico. Levon published a Preliminary Economic Assessment on the Cordero Project in April 2018.<sup>3</sup> Based on more than 133,000 meters of drilling, Levon has estimated an Indicated Mineral Resource of 990 Mt grading 32 g/t AgEq (13 g/t Ag, 0.37% Zn, 0.17% Pb, and 0.04 g/t gold ("Au")) and an Inferred Mineral Resource of 282 Mt grading 56 g/t AgEq (21 g/t Ag, 0.75% Zn, 0.30% Pb and 0.04 g/t Au).<sup>3</sup>

Taj Singh, President and Chief Executive Officer of Discovery, states: "We are excited to be combining our highly experienced Mexican exploration teams to advance the combined portfolio of properties. The new Discovery will have several district-scale land packages in Coahuila and Chihuahua that offer compelling exploration potential. The new Discovery will also benefit by adding the Cordero Project, a development stage project with potential to be optimized for the current metals price environment."

Vic Chevillon, Interim Chief Executive Officer of Levon, further adds: "We are pleased to be combining with Discovery and the Oxygen Capital team, a group that we are confident has the expertise and resources to execute our late CEO Ron Tremblay's vision of building a world-class mine at Cordero."

## Management and Directors

Concurrent with the closing of the Transaction, Vic Chevillon (Interim CEO of Levon) and Daniel Vickerman (Chairman of Levon) will be appointed to the board of directors of Discovery. Discovery will provide the management team for the combined company with Taj Singh continuing to serve as the President and Chief Executive Officer and Murray John continuing in the role of Chairman of the Board. The remaining members of the Discovery board of directors will continue to be Dr. Mark O'Dea, Jeff Parr, Jose Vizquerra-Benavides, and Jesus Hernandez-Garza. Dr. Moira Smith has been nominated to join the Discovery board of directors as of the upcoming Annual and General Special Meeting of Discovery scheduled for June 26, 2019.

## Advisors

PI Financial Corp. is acting as financial advisor to Discovery in connection with the Transaction. Fort Capital Partners is acting as financial advisor to Levon and has provided a fairness opinion to the Levon board of directors that the Transaction is fair to the Levon Shareholders from a financial perspective.

## Boards of Directors' Recommendations

The boards of directors of Discovery and Levon have each unanimously approved the proposed Arrangement.

Directors, officers, and certain key Levon Shareholders representing an aggregate of approximately 12% of the issued and outstanding Levon Shares have signed lockup agreements to vote their respective Levon Shares in favour of the Arrangement.

## Further Details

The Arrangement will be implemented through a triangular amalgamation under the *Business Corporations Act* (British Columbia) in which a wholly-owned subsidiary of Discovery will amalgamate with Levon to become a wholly-owned subsidiary of Discovery. Levon Shareholders will receive Discovery Shares based

on the Exchange Ratio. The Arrangement will be an Arm's Length Transaction pursuant to the policies of the Toronto Stock Exchange and the TSX Venture Exchange.

Upon closing of the Arrangement: (i) all outstanding stock options of Levon will be exchanged for options to purchase Discovery Shares on the basis of the Exchange Ratio, and will expire twelve months after the closing of the Arrangement; and (ii) all unexercised Levon Share purchase warrants will be exchanged for warrants to purchase Discovery Shares on the basis of the Exchange Ratio and will expire in accordance with the current expiry dates of the Levon Share purchase warrants.

The Agreement is dated May 29, 2019, and contains representations and warranties for the benefit of each of Discovery and Levon, conditions relating to shareholder, court, and regulatory approvals, material adverse changes, and compliance with the Agreement as are in each case customary in comparable transactions of this nature.

Completion of the Arrangement is subject to a number of conditions being satisfied or waived by one or both of Discovery and Levon at or prior to closing of the Arrangement, including: approval of the holders of Levon Shares, options, and warrants, together with any requisite minority approvals; receipt of all necessary regulatory and court approvals; and the satisfaction of certain other closing conditions customary for a transaction of this nature.

The Agreement includes a non-solicitation covenant on the part of Levon (subject to customary fiduciary-out provisions). In the event of a superior proposal, Discovery has the right to either match such superior proposal or receive a termination fee in the amount of C\$600,000.

Details of the Arrangement, including a summary of the terms and conditions of the Arrangement Agreement, will be disclosed in a management information circular of Levon, which will be mailed to holders of Levon Shares, options, and warrants and will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

It is expected that a special meeting of holders of Levon Shares, options, and warrants (the "Meeting") to approve the proposed Arrangement will be held in July 2019 and, if approved at the Meeting, it is expected that the Arrangement would close approximately one week thereafter.

Levon is subject to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). MI 61-101 provides that, in certain circumstances, where a "related party" (as defined in MI 61-101) of an issuer is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with an arrangement transaction such as the Arrangement, such transaction may be considered a "business combination" for the purposes of MI 61-101 and subject to minority shareholder approval requirements.

Levon has determined that Vic Chevillon, a director and the Interim CEO of the Company will receive a "collateral benefit" in connection with the Arrangement as he beneficially owns or exercises control or direction over more than 1% of Levon Shares (calculated in accordance with MI 61-101). Consequently, the Levon Shares beneficially owned, directly or indirectly, by Mr. Chevillon will be excluded for the purposes of determining if minority approval of the Arrangement is obtained.

This announcement is for informational purposes only and does not constitute an offer to purchase, a solicitation of an offer to sell any shares or a solicitation of a proxy.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## About Discovery

Discovery is focused on discovering and advancing high-grade polymetallic deposits in a recently assembled land package of approximately 150,000 hectares over a large and historic mining district in Coahuila State, Mexico. The portfolio of three large-scale, drill-ready projects and several earlier-stage prospects, all with shallow high-grade Ag-Zn-Pb mineralization, is situated in a world-class carbonate replacement deposit belt that stretches from southeast Arizona to central Mexico. The land holdings contain numerous historical direct-ship ore workings with several kilometers of underground development, but there was no modern exploration or drill testing on the properties prior to the work carried out by Discovery.

For further information please visit Discovery's website at [www.dsvmetals.com](http://www.dsvmetals.com).

## About Levon

Levon Resources is exploring one of the world's largest silver resources at its 100%-owned Cordero Project in Chihuahua State, Mexico. The 37,000 hectare property covers an entire porphyry district that hosts the announced resource and numerous exploration targets for bulk tonnage diatreme-hosted, porphyry-style, and carbonate replacement deposits.

For further information please visit Levon's website at [www.levon.com](http://www.levon.com).

#### **For Further Information:**

[Discovery Metals Corp.](http://www.discoverymetals.com)

(416) 613-9410  
[info@dsvmetals.com](mailto:info@dsvmetals.com)

[Levon Resources Ltd.](http://www.levonresources.com)

(778) 379-0040  
[ir@levon.com](mailto:ir@levon.com)

#### **References**

[1] Independent Technical Report for the Puerto Rico Carbonate Hosted Polymetallic Project, Coahuila, Mexico dated June 12, 2017 and prepared for Ayubowan Capital Ltd., predecessor to Discovery (NI 43-101 Technical Report).

[2] Channel samples were oriented perpendicular to mineralization and channel samples were representative of mineralization. For the Puerto Rico samples mentioned (95 total samples taken from one historic mine), the widths ranged from 0.4 to 2.2m (average 1.3m) and grades ranged from 2% to 53% ZnEq. For the Minerva samples mentioned (30 samples), widths ranged from 0.3 to 1.7m (average 0.9m) and grades ranged from 172 to 1,692 g/t AgEq. For the Monclova samples mentioned (25 samples), widths ranged from 0.3 to 1.5m (average 0.9m) and grades ranged from 205 to 2,532 g/t AgEq. All equivalent grades for Discovery's values are based on (\$US) \$15/oz Ag, \$1.25/lb Zn, and \$1.00/lb Pb.

[3] Cordero Project: NI 43-101 Technical Report: Preliminary Economic Assessment Update, Chihuahua, Mexico, dated March 1, 2018 and issued April 18, 2018, and prepared for Levon. The Cordero Project Indicated and Inferred [Mineral Resources Ltd.](http://www.mineralresources.com) use a cutoff grade of 15 g/t AgEq, using metal prices (US\$) of \$20/oz Ag, \$1.20/lb Zn, \$1.00 /lb Pb , and \$1,250/oz Au.

The documents listed above are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Qualified Persons**

Gernot Wober, P.Geo, VP Exploration of [Discovery Metals Corp.](http://www.discoverymetals.com) and Vic Chevillon, AIPG, QPG, Interim CEO and VP Exploration of [Levon Resources Ltd.](http://www.levonresources.com), are each of their respective company's designated Qualified Persons for this news release within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (NI 43-101) and have reviewed and validated that the information contained in this news release is accurate.

#### **Cautionary Note Regarding Forward-Looking Statements:**

*Certain disclosures in this release constitute forward-looking statements, including: obtaining Levon securityholder and final court approval of the Arrangement; composition of the board of directors and management of Discovery upon completion of the Arrangement; and timing and completion of the Arrangement. In making the forward-looking statements in this release, the parties have applied certain factors and assumptions that are based on the parties' current beliefs as well as assumptions made by and information currently available to the parties. Although the parties consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. The parties do not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking*

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