LEVON RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended March 31, 2017 and March 31, 2016
(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LEVON RESOURCES LTD.

We have audited the accompanying consolidated financial statements of Levon Resources Ltd., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Levon Resources Ltd. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 27, 2017

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LEVON RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		March 31, 2017		March 31, 2016
				(Note 5)
ASSETS				
Current				
Cash and cash equivalents	$	3,096,105	$	4,883,196
Amounts receivable		14,281		9,836
Prepaid expenses		23,092		19,007
Investments (Note 6)		7,650,231		10,013,399
		10,783,709		14,925,438
Non-current assets				
Reclamation deposits (Note 7)		32,629		32,629
Value added tax receivable (Note 8)		1,751,783		1,875,927
Exploration and evaluation assets (Note 9)		50,000,000		50,000,000
Property and equipment (Note 10)		20,963		38,494
Total Assets	$	62,589,084	$	66,872,488
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	50,540	$	35,833
Due to related parties (Note 13)		34,779		20,430
Total Liabilities		85,319		56,263
SHAREHOLDERS' EQUITY				
Share capital (Note 11)		72,461,530		71,869,874
Contributed surplus		1,394,091		976,864
Accumulated other comprehensive income (loss)		92,058		(51)
Deficit		(11,443,914)		(6,030,462)
Total Equity		62,503,765		66,816,225
Total Liabilities and Shareholders' Equity	$	62,589,084	$	66,872,488

Approved on behalf of the Board:

"Edward Karr" | *"Ron Tremblay"*

Edward Karr, Director | **Ron Tremblay, Director**

The accompanying notes are an integral part of these consolidated financial statements.

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended March 31, 2017	Year ended March 31, 2016
Expenses		
Consulting and management fees (Note 13)	$ 890,244	$ 714,366
Exploration (Notes 9 and 13)	770,402	518,581
General exploration (Notes 9(f) and 13)	133,575	74,094
Listing and filing fees	78,828	70,377
Office, occupancy and miscellaneous	140,866	122,597
Professional fees	77,081	60,729
Share-based payments (Notes 11 and 13)	668,243	976,864
Shareholder relations and promotion	57,456	41,926
Travel	81,141	110,786
	(2,897,836)	(2,690,320)
Finance income	9,982	108,286
Gain on discharge of debenture (Note 12)	-	700,000
Gain on disposal of mineral properties (Notes 9(d) and (e))	150,000	72,882
Impairment of investments (Note 6)	(2,619,041)	(4,144,425)
Loss on disposal of investments	-	(5,901)
Foreign exchange loss	(70,322)	(70,976)
Loss before income taxes	(5,427,217)	(6,030,454)
Deferred income tax recovery (expense) (Note 16)	13,765	(8)
Net loss for the year	(5,413,452)	(6,030,462)
Other comprehensive income (loss)		
Items that will be reclassified to net loss		
Unrealized loss on investments (Note 6)	(2,513,167)	(4,144,484)
Transfer on impairment of investments to net loss	2,619,041	4,144,425
Deferred income tax recovery (expense)	(13,765)	8
Other comprehensive income (loss), net of tax	92,109	(51)
Total comprehensive loss for the year	$ (5,321,343)	$ (6,030,513)
Loss per share, basic and diluted	$ (0.04)	$ (0.07)
Weighted average number of common shares outstanding	120,871,218	86,880,755

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
At March 31, 2015	1	$ 1	$ -	$ -	$ -	$ 1
Issuance of common shares pursuant to plan of arrangement (Note 5)	119,542,692	71,869,873	-	-	-	71,869,873
Share-based payments	-	-	976,864	-	-	976,864
Net loss for the year	-	-	-	-	(6,030,462)	(6,030,462)
Total other comprehensive loss for the year	-	-	-	(51)	-	(51)
At March 31, 2016	119,542,693	71,869,874	976,864	(51)	(6,030,462)	66,816,225
Exercise of stock options	2,129,000	591,656	(251,016)	-	-	340,640
Share-based payments	-	-	668,243	-	-	668,243
Net loss for the year	-	-	-	-	(5,413,452)	(5,413,452)
Total other comprehensive income for the year	-	-	-	92,109	-	92,109
At March 31, 2017	121,671,693	$ 72,461,530	$ 1,394,091	$ 92,058	$ (11,443,914)	$ 62,503,765

The accompanying notes are an integral part of these consolidated financial statements.

LEVON RESOURCES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended March 31, 2017	Year ended March 31, 2016
Operating activities		
Net loss for the year	$ (5,413,452)	$ (6,030,462)
Items not involving cash:		
Depreciation (Note 10)	17,531	12,698
Share-based payments (Note 11)	668,243	976,864
Gain on disposal of mineral properties (Notes 9(d) and (e))	(150,000)	(72,882)
Impairment of investments (Note 6)	2,619,041	4,144,425
Gain on discharge of debenture (Note 12)	-	(700,000)
Loss on disposal of investments	-	5,901
Unrealized foreign exchange loss	69,382	62,336
Deferred income tax	(13,765)	8
Changes in non-cash working capital items:		
Amounts receivable	(37,322)	753,302
Prepaid expenses	(4,127)	18,645
Accounts payable and accrued liabilities	15,684	(254,162)
Due to related parties	14,349	16,354
Cash used in operating activities	(2,214,436)	(1,066,973)
Investing activities		
Net cash acquired from acquisition (Note 5)	-	5,149,205
Proceeds on discharge of debenture	-	700,000
Proceeds from disposal of investments	-	33,407
Purchase of investments	-	(24,852)
Cash provided by investing activities	-	5,857,760
Financing activity		
Proceeds from stock option exercises (Note 11)	340,640	-
Cash provided by financing activity	340,640	-
Foreign exchange effect on cash	86,705	92,408
Increase (decrease) in cash and cash equivalents	(1,787,091)	4,883,195
Cash and cash equivalents, beginning of the year	4,883,196	1
Cash and cash equivalents, end of the year	$ 3,096,105	$ 4,883,196
Cash and cash equivalents consists of:		
Cash	$ 94,467	$ 582,729
Cash equivalents	3,001,638	4,300,467
	$ 3,096,105	$ 4,883,196
Supplemental cash flow information		
Interest received	$ 15,083	$ 100,077

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Levon Resources Ltd. (formerly 1027949 B.C. Ltd.) (the "Company" or "Levon") was incorporated under the *Business Corporations Act* (British Columbia) on February 18, 2015. The Company is an exploration stage public company whose principal business activities are the exploration for and development of exploration and evaluation properties in Mexico. There have been no significant revenues generated from these activities to date. The address of the Company's registered office is Suite 500 – 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

On July 9, 2015, pursuant to an arrangement agreement, the Company acquired or assumed all of the assets and liabilities of the former Levon Resources Ltd. ("Old Levon") other than $27 million of cash that remained with Old Levon, and concurrently changed its name to Levon Resources Ltd. (Note 5).

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's ability to continue as a going concern is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations or the ability of the Company to raise alternative financing.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

Basis of presentation

These consolidated financial statements are expressed in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting with the exception of cash flow information. The accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

Approval of the consolidated financial statements

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on June 27, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (Note 5).

	Jurisdiction	Nature of Operations
Valley High Ventures Ltd. ("VHV")	British Columbia, Canada	Holding Company
Citrine Investment Holdings Limited	British Virgin Islands	Holding Company
Minera Titan S.A. de C.V	Mexico	Exploration Company
Aphrodite Asset Holdings Ltd.	British Virgin Islands	Holding Company
Turney Assets Limited	British Virgin Islands	Holding Company
Minera El Camino S.A. de C.V.	Mexico	Holding Company
Administracion de Projectos Levon en Mexico S.A. de C.V.	Mexico	Mexican Operations Administration

Subsidiaries are all entities over which the Company has control. Control is defined as where the Company is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained, until the date on which control is lost. All significant intercompany transactions and balances have been eliminated upon consolidation.

The Company applies the acquisition method to account for business combinations. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities.

Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of operations and comprehensive loss.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. They are initially recognized at fair value and subsequently carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statements of operations and comprehensive loss.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss), within equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the consolidated statements of operations and comprehensive loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine the quantum of an impairment are applied for each category of financial assets, which are described above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of operations and comprehensive loss.

*Other financial liabilitie*s – Liabilities in this category are initially recognized at fair value, net of transaction costs, and are subsequently carried at amortized cost.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significant inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents

Cash and cash equivalents is comprised of cash, bank deposits, cashable guaranteed investment certificates (“GIC”) and short-term investments that are readily convertible to known amounts of cash with original maturities of three months or less.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its mineral properties. The Company capitalizes all costs relating to the acquisition of mineral claims, and expenses all costs relating to the exploration and evaluation of mineral claims.

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the subsequent costs incurred for the development of that project will be capitalized as mining properties, a component of property and equipment.

Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. Historical costs include expenditures that are directly attributable to bringing the asset to a location and condition necessary to operate in a manner intended by management. Such costs are accumulated as construction-in-progress until the asset is available for use, at which point the asset is classified as property and equipment. Once commercial production has commenced, mine, mill, machinery, plant facilities and certain equipment will be depreciated using the unit-of-production method if sufficient reserve information is available, or the straight-line method over their estimated useful lives, not to exceed the life of the mine to which the assets relate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of property and equipment is calculated using the straight-line method over the following useful lives:

Computer equipment	Two to three years
Furniture and equipment	Five to ten years
Vehicles	Four to five years
Machinery	Four to five years
Building	Twenty years

Impairment

At each reporting date, the carrying amounts of the Company's exploration and evaluation assets and property and equipment are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as accretion expense.

Reclamation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore mineral properties in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and restoration, reclamation and revegetation of affected areas.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclamation provision (continued)

The fair value of the liability for a rehabilitation provision is recorded when it is incurred. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related exploration and evaluation assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability, which is accreted over time through periodic charges to profit or loss. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Share-based payments

The Company's stock option plan provides for the granting of stock options to directors, employees and consultants to acquire shares of the Company. The Company records share-based payments expense using the fair value method.

The fair value of employee options is measured at the option's grant date, and the fair value of non-employee options is measured at the date or over the period during which goods or services are received. The fair value of each tranche of options granted, which do not vest immediately on grant, is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The Company records the cumulative share-based payments in contributed surplus. When the options are exercised, the Company issues new shares. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options would be anti-dilutive.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

New accounting standards and interpretations not yet adopted

New and revised IFRS pronouncements that have been issued but are not yet effective, and that may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company will adopt these new or revised standards and interpretations when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single approach to determine whether a financial asset is measured at fair value through profit or loss, fair value through other comprehensive income, or at amortized cost. Measurement and classification of financial assets is dependent on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income (loss) rather than net earnings, unless this creates an accounting mismatch.

In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure about expected credit losses and credit risk.

IFRS 9 is effective for years beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and the related revenue-related interpretations. IFRS 15 introduces a single, principle based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. IFRS 15 also requires expanded disclosures to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and to improve the comparability of revenue from contacts with customers. IFRS will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations not yet adopted (continued)

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases*, replacing IAS 17 *Leases*. For lessees applying IFRS 16, all leases are considered finance leases and will be recorded on the statements of financial position. The only exemptions to this classification will be for leases that are twelve months or less in duration or for leases of low-value assets. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if the entity is also applying IFRS 15. The Company is currently evaluating the impact of adopting IFRS 16 on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities. Management’s estimates and judgments are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to estimates are accounted for prospectively.

The estimates and judgments that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities are outlined below.

<u>Critical accounting judgments</u>

(a) ***Functional currency***

The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

(b) ***Impairment of available-for-sale financial assets***

Management assesses at the end of each reporting period whether there had been any significant or prolonged impairment on its available-for-sale financial assets, using objective evidence to determine if the investments are impaired. Listed prices on public stock exchanges are used to determine if the fair value is at a significant or prolonged decline below the historical cost.

At March 31, 2017 and 2016, there were indicators that suggest that certain of the Company’s available-for-sale financial assets were impaired, and as such, the Company recognized an impairment (Note 6).

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Critical accounting judgments (continued)

(c) *Impairment*

The investment in exploration and evaluation assets on the Cordero Sanson Property ("Cordero") comprises a significant portion of the Company's assets. Realization of the Company's investment in the exploration and evaluation assets is dependent upon the Company obtaining permits, the satisfaction of local governmental requirements, obtaining drill results that support an economically viable mining operation, the attainment of successful production from the properties or from the proceeds upon disposal of the Company's properties. 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 that are explored are ultimately developed into producing mines. Judgment is required in assessing the appropriate level of CGU to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

(d) *Going concern assumption*

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. As at March 31, 2017 and 2016, the Company is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Critical accounting estimates

(e) *Recoverability of amounts receivable*

Timing of collection on value added taxes ("VAT") to be recovered in Mexico is uncertain as VAT refund procedures require a significant amount of information and follow-up. The Company is corresponding with the Mexican government to expedite the recovery of the Mexican VAT and to conclude ongoing audits on certain returns. The Company assesses the recoverability of the amounts receivable at each reporting date. As at March 31, 2017 and 2016, the Company determined the full balance to be recoverable. Changes in this estimate can materially affect the amount recognized as VAT receivable and could result in an impairment being recognized in the consolidated statements of operations and comprehensive loss.

(f) *Realization of exploration and evaluation assets and impairment*

The assessment of any impairment of property and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, and the useful lives of assets.

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Critical accounting estimates (continued)

(f) *Realization of exploration and evaluation assets and impairment (continued)*

Estimations include the determination of technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves and/or resources, future mineral prices, and operating and capital expenditures for the properties.

(g) *Environmental*

The Company assesses its provisions for environmental rehabilitation on an annual basis or when new material information becomes available. Provisions for environmental rehabilitation require management to make estimates of the future costs of the work required to comply with legal or constructive obligations. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of work required to be performed, which could materially impact the amounts charged to operations for provisions for environmental rehabilitation.

At March 31, 2017 and 2016, the Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(h) *Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

(i) *Valuation of share-based payments*

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

5. ACQUISITION AND ASSUMPTION OF ASSETS AND LIABILITIES

On March 20, 2015, the Company entered into an arrangement agreement with SciVac Ltd. and Old Levon pursuant to which, on July 9, 2015, it completed the acquisition and assumption of all of the assets and liabilities of Old Levon, other than $27 million in cash, which was retained by Old Levon (the "Arrangement"). As consideration for the Arrangement, the Company issued to shareholders of record, prior to the Arrangement, of Old Levon, 119,542,692 common shares. At closing of the Arrangement, 1027949 B.C. Ltd. changed its name to Levon Resources Ltd. and Old Levon changed its name to SciVac Therapeutics Inc. (renamed VBI Vaccines Inc. on May 9, 2016).

(Expressed in Canadian Dollars)

5. ACQUISITION AND ASSUMPTION OF ASSETS AND LIABILITIES (continued)

The Arrangement was accounted for as an asset acquisition and not a business combination under IFRS 3 *Business Combinations* due to the stage of development of the acquired mineral property projects.

The following wholly owned direct and indirect subsidiaries were included in the transfer of assets to the Company: VHV, Citrine Investment Holdings Limited, Minera Titan S.A. de C.V., Aphrodite Asset Holdings Ltd., Turney Assets Limited, Minera El Camino S.A. de C.V. and Administracion de Projectos Levon en Mexico S.A. de C.V.

The aggregate fair values of assets acquired and liabilities assumed were as follows on the acquisition date, July 9, 2015:

Purchase consideration		
Issuance of 119,542,692 common shares	$	71,869,873
Assets		
Cash and cash equivalents	$	5,149,205
Amounts receivable - current		99,845
Prepaid expenses		37,690
Investments		14,172,338
Reclamation deposits		32,629
Value added tax receivable (Note 8)		2,689,851
Exploration and evaluation assets		50,000,000
Property, plant and equipment		51,192
Convertible debenture (Note 12)		-
Total assets assumed		72,232,750
Accounts payable and accrued liabilities		(362,877)
Net assets assumed	$	71,869,873

The fair value of cash and cash equivalents and investments were determined using Level 1 inputs.

The amounts receivable and the value added tax receivable is from the Canadian and Mexican governments for which the fair value approximates the carrying value (Notes 4(e) and 8).

The Company utilized an external opinion of value dated April 2, 2015, to determine the fair value of the exploration and evaluation assets assumed. It was determined that the recoverable value of the project based on fair value less costs to sell was approximately $50,000,000 using a median of three valuation methods, including adjusted appraised value based on historical costs, comparable approach based on resource value and attributed share of market capitalization as secondary corroboration. The fair value estimated is in accordance with Level 3 of the fair value hierarchy.

(Expressed in Canadian Dollars)

6. INVESTMENTS

At March 31, 2017, the Company held investments as follows:

	Quantity of Common Shares	Cost	Accumulated Unrealized Gains (Losses)	Fair Value
Available-for-sale				
Pershing Gold Corporation (i)	1,954,366	$ 10,013,283	$ (2,619,041)	$ 7,394,242
Great Thunder Gold Corp.	3,011,632	150,174	105,815	255,989
Balance at March 31, 2017		$ 10,163,457	$ (2,513,226)	$ 7,650,231

(i) The cost of $10,013,283 for the shares in the above table is shown net of an $4,144,425 impairment recognized for the year ended March 31, 2016.

At March 31, 2017, the Company determined that the significant decline in the fair value of its investment in Pershing Gold Corporation below its cost is objective evidence of impairment and recorded an impairment charge of $2,619,041 in the consolidated statements of operations and comprehensive loss for the year ended March 31, 2017.

At March 31, 2016, the Company held investments as follows:

	Quantity of Common Shares	Cost	Accumulated Unrealized Losses	Fair Value
Available-for-sale				
Pershing Gold Corporation	1,954,366	$ 14,157,708	$ (4,144,425)	$ 10,013,283
Great Thunder Gold Corp.	11,632	175	(59)	116
Balance at March 31, 2016		$ 14,157,883	$ (4,144,484)	$ 10,013,399

At March 31, 2016, the Company determined that the significant decline in the fair value of its investment in Pershing Gold Corporation below its cost is objective evidence of impairment and recorded an impairment charge of $4,144,425 in the consolidated statements of operations and comprehensive loss for the year ended March 31, 2016.

7. RECLAMATION DEPOSITS

The Company has pledged specified term deposits as security for reclamation permits, as required by certain government agencies. The Company has a varying number of deposits on hand ranging from $1,000 to $6,000 with maturity dates ranging from July 28, 2017 to January 12, 2018, with an interest rate of 0.50%. These deposits are renewed annually.

(Expressed in Canadian Dollars)

8. VALUE ADDED TAX RECEIVABLE

VAT or "Impuesto al Valor Agregado" ("IVA") receivables are generated on the purchase of supplies and services by the Company's Mexican subsidiaries and are refundable from the Mexican government. As at March 31, 2017, the amount of VAT due from the Mexican tax authorities is $1,751,783 (2016 - $1,875,927).

No VAT refunds were received during the year ended March 31, 2017, pending the resolution of the audit of certain returns. During the period July 9, 2015 (Note 5) to March 31, 2016, the Company recovered approximately $654,000. In addition, the Company was paid interest of approximately $86,000 in connection with its VAT refunds.

The Company has classified the VAT receivable as long term upon consideration of the length of time the returns have been outstanding and the uncertainty as to the amount that can be realized into cash within twelve months.

9. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition expenditures:

		Cordero
Balance, March 31, 2015	$	-
Additions during the year (Note 5)		50,000,000
Balance, March 31, 2016 and March 31, 2017	$	50,000,000

The Company incurred the following exploration expenditures, which were expensed in the consolidated statements of operations and comprehensive loss for the years ended March 31, 2017 and 2016:

		Year ended March 31, 2017		**Year ended March 31, 2016**
Cordero (Note 9(a))				
Drilling and exploration	$	70,342	$	58,093
Geological and management services		339,361		142,747
Mining rights		284,431		239,044
Payroll and general supplies		76,268		78,697
Balance, end of year	$	770,402	$	518,581

9. EXPLORATION AND EVALUATION ASSETS (continued)

(a) Cordero Sanson

The Cordero property is located near Hidalgo Del Parral, Chihuahua, Mexico. The Cordero mining claims are comprised of claims wholly owned by VHV by agreement with long-standing ranch families and small local mining companies, and certain other claims that were staked by the Company.

(b) Congress claims

The Company owns a 50% leasehold interest in certain claims in the Lillooet Mining Division, British Columbia.

(c) Wayside claims

The Company owns certain mineral claims in the Lillooet Mining Division, British Columbia.

(d) Gold Bridge claims (BRX Project)

On April 20, 2016, the Company divested its 50% undivided interest in and to nine mineral claims known as the BRX claims located in the Gold Bridge area, Lillooet Mining Division, British Columbia, to Great Thunder, the holder of the remaining 50% undivided interest, in exchange for 3,000,000 common shares in Great Thunder and a net smelter return royalty ("NSR") equal to 2.5% with respect to the claims. The Company recorded a gain on the disposal of the Gold Bridge claims of $150,000 in the consolidated statements of operations and comprehensive loss for the year ended March 31, 2017.

(e) Eagle claims and Ruf and Norma Sass properties

In January 2016, the Company entered into a settlement and property transfer agreement with Coral Gold Resources Ltd. ("Coral Gold") pursuant to which the Company returned the following interests in exchange for the extinguishment of $72,882 owing to Coral Gold:

(i) Eagle claims – a 50% interest in certain lode mining claims located in Lander County, Nevada; and

(ii) Ruf and Norma Sass properties – an undivided one-third interest in certain mineral claims known as the Ruf and Norma Sass properties located in Lander County, Nevada.

A third party holds a 3% NSR on the production from certain of the claims, up to a limit of USD $1,250,000.

The Company recorded a gain on the disposal of the Eagle claims and Ruf and Norma Sass properties of $72,882 in the consolidated statements of operations and comprehensive loss for the year ended March 31, 2016.

(f) During the year ended March 31, 2017, the Company incurred general exploration expenditures of $133,575 (2016 - $74,094) in connection with its exploration properties in Canada and the US, and due diligence and exploration on mining projects.

9. EXPLORATION AND EVALUATION ASSETS (continued)

Realization of assets

The investment in and expenditures on exploration and evaluation assets 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.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that 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.

Title to exploration and evaluation assets

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by an undetected defect.

Environmental

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.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(Expressed in Canadian Dollars)

10. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Vehicles	Building and Machinery	Total
COST					
Balance at March 31, 2015	$ -	$ -	$ -	$ -	$ -
Additions (Note 5)	2,621	1,081	29,278	18,212	51,192
Disposals	-	-	(6,226)	-	(6,226)
Balance at March 31, 2016 and March 31, 2017	**$ 2,621**	**$ 1,081**	**$ 23,052**	**$ 18,212**	**$ 44,966**
ACCUMULATED DEPRECIATION					
Balance at March 31, 2015	$ -	$ -	$ -	$ -	$ -
Depreciation	759	162	9,579	2,198	12,698
Disposals	-	-	(6,226)	-	(6,226)
Balance at March 31, 2016	759	162	3,353	2,198	6,472
Depreciation	1,862	798	7,607	7,264	17,531
Balance at March 31, 2017	**$ 2,621**	**$ 960**	**$10,960**	**$ 9,462**	**$ 24,003**
CARRYING AMOUNTS					
At March 31, 2016	$ 1,862	$ 919	$ 19,699	$ 16,014	$ 38,494
At March 31, 2017	**$ -**	**$ 121**	**$ 12,092**	**$ 8,750**	**$ 20,963**

For the year ended March 31, 2017, depreciation of $17,531 (2016 - $12,698) was expensed as exploration expenditures.

11. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued

On February 18, 2015, the date of incorporation, the Company issued one common share at a price of $1.

On July 9, 2015, pursuant to the Arrangement, the Company issued 119,542,692 common shares (Note 5).

During the year ended March 31, 2017, the Company issued 2,129,000 shares pursuant to exercises of stock options raising cash proceeds for the Company of $340,640. In connection with the exercise of stock options the Company allocated $251,016 from contributed surplus to share capital.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Stock options

The Company has a stock option plan implemented in 2015 (the "Plan") authorizing the grant of stock options. Pursuant to the Plan, the Company 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 Plan provides for the granting of stock options to Eligible Persons (as defined by the policies of the TSX) up to a limit of 5% each of the Company's total number of issued and outstanding shares per year.

The Plan provides for the vesting of stock options over a period of one year or as otherwise determined by the Company's Board of Directors at the time of the grant. The option price must be greater than or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years from the grant date.

For the years ended March 31, 2017 and 2016, stock option activity is summarized as follows:

	Number of options	Weighted Average Exercised Price
Stock options outstanding, March 31, 2015	-	-
Granted	11,850,000	$0.16
Stock options outstanding, March 31, 2016	11,850,000	$0.16
Granted	500,000	$0.39
Exercised	(2,129,000)	$0.16
Stock options outstanding, March 31, 2017	**10,221,000**	**$0.17**

A summary of stock options outstanding and exercisable as at March 31, 2017 is as follows:

Expiry Date	Exercise Price	Outstanding March 31, 2017	Exercisable March 31, 2017
November 3, 2020	$ 0.16	9,721,000	9,721,000
August 17, 2021	$ 0.39	500,000	250,000
		10,221,000	**9,971,000**

On August 17, 2016, the Company granted to a consultant 500,000 stock options exercisable at $0.64 over five years. The options granted vest with the right to exercise one-quarter of the options every three months subsequent to the grant date. On October 18, 2016, the Company amended the exercise price on the 500,000 options issued on August 17, 2016, from $0.64 to $0.39. All other terms of the options are unchanged.

On November 3, 2015 and November 13, 2015, the Company granted to directors and officers, and consultants of the Company 11,600,000 and 250,000 stock options, respectively, exercisable at $0.16 over five years. The options granted vest with the right to exercise one-quarter of the options every three months subsequent to the grant date.

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of the grant. For the year ended March 31, 2017, share-based payment expense of $668,243 (2016 - $976,864) was recognized in the consolidated statements of operations and comprehensive loss.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Stock options (continued)

Option pricing requires the use of highly subjective estimates and assumptions, including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates. The incremental fair value of the modified options was measured at the modification date using the Black-Scholes option pricing model, and is expensed over the remaining vesting period of the modified options.

The fair value of the options granted to officers, directors and consultants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Fair value of options at grant date	$ 0.40	$ 0.12
Risk-free interest rate	0.64%	0.79%
Expected dividend yield	-	-
Expected option life (years)	4.92	5.00
Expected share price volatility	106.54%	101.04%

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

12. GAIN ON DISCHARGE OF DEBENTURE

On November 13, 2015, the Company entered into an assignment agreement with the counter party pursuant to which the Company was paid $700,000 as consideration for the assignment of a convertible senior secured debenture in the principal amount of $1,000,000 issued by the assignee to Old Levon, and the related security. As at July 9, 2015, the Company determined the fair value of the debenture was $Nil, reflecting that Old Levon had recorded a full impairment provision against the gross principal and accrued interest on the basis that there was insufficient information available to support a reliable estimate of recoverable value (Note 5).

13. RELATED PARTY TRANSACTIONS

Key management transactions

The Company has identified its directors and certain senior officers as its key management personnel. The total compensation paid or payable to the directors, CEO, CFO, VP Exploration and Corporate Secretary of the Company for years ended March 31, 2017 and 2016 are as follows:

	Year ended March 31, 2017	Year ended March 31, 2016
Consulting and management fees (i)(ii)	$ 722,510	$ 522,407
Share-based compensation	367,369	826,923
	$ 1,089,879	$ 1,349,330

(i) For the year ended March 31, 2017, $64,414 (2016 - $45,360) was included as exploration expenses and $54,263 (2016 - $45,360) was included as general exploration expenses.
(ii) Consulting and management fees were paid to private companies controlled by the CEO, CFO, VP Exploration and Corporate Secretary of the Company.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (continued)

Due to related parties

As at March 31, 2017, the due to related parties balance includes $34,779 owing to key management personnel (2016 - $20,430).

Commitments with related parties

The Company has commitments for future minimum payments in respect of consulting agreements with key management personnel as follows:

	March 31, 2017
Not later than one year	$ 559,524
Later than one year and no later than five years	369,686
	$ 929,210

Included in the above table are the following consulting contracts with key management:

(i) A consulting agreement with a company controlled by the VP Exploration with a five-year term ending June 30, 2020, which may be terminated by the Company at any time by paying USD $22,500 plus USD $7,500 for each whole or partial year since the effective date.

(ii) A consulting agreement with a company controlled by the CEO with a three-year term ending June 30, 2018, which may be terminated by the Company at any time by paying USD $825,000. The Company is committed to pay the CEO USD $750,000 in the event of a change in control of the Company.

(iii) A consulting agreement with a company controlled by a director of the Company providing financial management and advisory services with a one-year term ending September 30, 2017. The Company is committed to pay a success fee of 4% on any amount raised for the Company.

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties.

The Company has non-current assets, excluding financial instruments, in the following geographic locations:

	March 31, 2017	March 31, 2016
Mexico		
Exploration and evaluation assets	$ 50,000,000	$ 50,000,000
Property and equipment	20,963	38,494
	$ 50,020,963	$ 50,038,494

15. COMMITMENTS

The Company's commitments for future minimum payments in respect of operating lease agreements as at March 31, 2017 are as follows:

	March 31, 2017
Not later than one year	$ 41,307
Later than one year and no later than five years	17,240
	$ 58,547

(Expressed in Canadian Dollars)

16. INCOME TAXES

A reconciliation of income tax recovery computed at the Canadian statutory rate of 26% (2016 - 26%) to income tax recovery (expense) for the years ended March 31, 2017 and 2016 is as follows:

		Year ended March 31, 2017		Year ended March 31, 2016
Loss before income taxes	$	(5,427,217)	$	(6,030,454)
Statutory income tax rate		26%		26%
Expected income tax recovery		(1,411,076)		(1,567,918)
Non-deductible expenses and other		57,016		681,781
Adjustments due to effective tax rate attributable to income taxes in other countries		8,445		(2,284)
Change in foreign exchange on tax assets and liabilities		97,167		19,979
Change in timing differences		588,767		5,585,977
Unused tax losses and tax offsets not recognized		645,916		(4,717,527)
Income tax expense (recovery)	$	(13,765)	$	8

As at March 31, 2017 and 2016, no deferred tax assets are recognized on the following temporary differences, as it is not probable that sufficient future taxable profit will be available to realize such assets:

		March 31, 2017		March 31, 2016
Non-capital loss carry-forwards	$	15,704,449	$	13,662,749
Property and equipment		101,533		54,273
Unrealized losses on investments		3,328,823		2,072,242
Unrecognized deductible temporary differences	$	19,134,805	$	15,789,264

(Expressed in Canadian Dollars)

16. INCOME TAXES (continued)

The non-capital losses are available to reduce taxable income of future years, and expire as follows:

	Canada	Mexico	Total
2018	$ -	$ 137,000	$ 137,000
2019	-	229,000	229,000
2020	-	155,000	155,000
2021	-	758,000	758,000
2022	-	1,241,000	1,241,000
2023	-	3,696,000	3,696,000
2024	-	2,297,000	2,297,000
2025	-	2,369,000	2,369,000
2026	194,000	57,000	251,000
2027	427,000	48,000	475,000
2028	117,000	-	117,000
2029	305,000	-	305,000
2030	1,171,000	-	1,171,000
2036	383,000	-	383,000
2037	2,339,000	-	2,339,000
	$ 4,936,000	$ 10,987,000	$ 15,923,000

17. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or reduce expenditures. Management reviews the capital structure on a regular basis to ensure that objectives are met.

There have been no changes to the Company's approach to capital management during the year ended March 31, 2017. The Company is not subject to external restrictions on its capital.

18. FINANCIAL INSTRUMENTS

Financial instruments comprise cash and cash equivalents, reclamation deposits, investments, due to related parties, and accounts payable and accrued liabilities. At initial recognition, management has classified financial assets and liabilities as described below.

The Company has classified its cash and cash equivalents as FVTPL. Investments are classified as available-for-sale with changes in fair value recorded through other comprehensive income. Reclamation deposits are classified as loans and receivables. Accounts payable and accrued liabilities and amounts due to related parties are classified as other liabilities.

18. FINANCIAL INSTRUMENTS (continued)

The Company's financial instruments are exposed to certain financial risks: credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. All of the Company's cash and cash equivalents and reclamation deposits are held with reputable financial institutions and, as such, the Company does not consider its credit risk to be significant as at March 31, 2017 and 2016.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due.

The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company has sufficient current assets to meet short-term business requirements.

At March 31, 2017, the Company has current liabilities of $85,319 (2016 - $56,263). Accounts payable and accrued liabilities and due to related parties have contractual maturities of less than one year and are subject to normal trade terms.

(c) Market risk

Market risk consists of interest rate risk, foreign currency risk and other price risk. The Company is exposed to interest rate risk and foreign currency risk.

Interest rate risk

The Company deposits cash in fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as at March 31, 2017 with respect to its cash and cash equivalent positions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates in Canada and Mexico and expects the majority of its exploration activities to be paid in Mexican pesos and US dollars.

The Company is exposed to foreign currency fluctuation related to its cash and cash equivalents, accounts payable and accrued liabilities, and amounts due to related parties in US dollars and Mexican pesos. The Company is also exposed to foreign currency fluctuation on its investments, which are securities traded on the NASDAQ.

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

Foreign currency risk (continued)

Based on the net US dollar denominated asset and liability exposures as at March 31, 2017, a 5% fluctuation in the Canadian/US exchange rates would result in an additional foreign exchange gain or loss of approximately $151,000 in the consolidated statement of operations and comprehensive loss, and a $370,000 change in unrealized gain or loss on investments in other comprehensive loss.

Based on the net Mexican peso denominated asset and liability exposures as at March 31, 2017, a 5% fluctuation in the Canadian/Mexican exchange rates would result in an additional foreign exchange gain or loss of approximately $124,000 in the consolidated statement of operations and comprehensive loss.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk with respect to its investment securities as they are carried at fair value based on quoted market prices. A 5% fluctuation in market prices would result in an additional change of approximately $370,000 in unrealized gain or loss on investments in other comprehensive loss.

The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(d) Fair value of financial instruments

The carrying amounts of accounts payable and accrued liabilities and due to related parties are a reasonable estimate of their fair values due to their short term to maturity. Cash and cash equivalents are comprised of cashable GICs with interest rates that range from 0.20% to 0.70% and are carried at fair value in accordance with Level 1 of the fair value hierarchy. Investment securities are accounted for at fair value based on quoted market prices in accordance with Level 1 of the fair value hierarchy. The carrying amount of reclamation deposits approximate their fair value in accordance with Level 2 of the fair value hierarchy as the stated rates approximate market rates of interest, and the underlying value is based on the fair value of cash.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at March 31, 2017.

	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 3,096,105	$ -	$ -
Investments	$ 7,650,231	$ -	$ -
Reclamation deposits	$ -	$ 32,629	$ -

18. FINANCIAL INSTRUMENTS (continued)

(d) Fair value of financial instruments (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at March 31, 2016.

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,883,196	$ -	$ -
Investments	$10,013,399	$ -	$ -
Reclamation deposits	$ -	$ 32,629	$ -