LEVON RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended March 31, 2018 and 2017
(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, 2018 and 2017 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, 2018 and 2017, 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, 2018

Vancouver
7th Floor 355 Burrard St
Vancouver, BC V6C 2G8
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

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

		March 31, 2018		March 31, 2017
ASSETS				
Current				
Cash and cash equivalents	$	572,260	$	3,096,105
Amounts receivable		12,474		14,281
Prepaid expenses		263,342		23,092
Investments (Note 5)		5,204,366		7,650,231
		6,052,442		10,783,709
Non-current assets				
Prepaid expenses		31,250		-
Reclamation deposits (Note 6)		32,629		32,629
Value added tax receivable (Note 7)		1,805,310		1,751,783
Exploration and evaluation assets (Note 8)		50,000,000		50,000,000
Property and equipment (Note 9)		13,995		20,963
Total Assets	$	57,935,626	$	62,589,084
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	149,909	$	50,540
Due to related parties (Note 11)		29,707		34,779
Total Liabilities		179,616		85,319
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		73,529,602		72,461,530
Contributed surplus		1,476,158		1,394,091
Accumulated other comprehensive income		-		92,058
Deficit		(17,249,750)		(11,443,914)
Total Equity		57,756,010		62,503,765
Total Liabilities and Shareholders' Equity	$	57,935,626	$	62,589,084

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, 2018	Year ended March 31, 2017
Expenses		
Consulting and management fees (Note 11)	$ 854,294	$ 890,244
Exploration (Notes 8, 9 and 11)	1,911,535	770,402
General exploration (Notes 8 and 11)	66,061	133,575
Listing and filing fees	81,621	78,828
Office, occupancy and miscellaneous	116,553	140,866
Professional fees	52,265	77,081
Share-based payments (Notes 10 and 11)	30,214	668,243
Shareholder relations and promotion	182,376	57,456
Travel	101,084	81,141
	(3,396,003)	(2,897,836)
Finance income	33,399	9,982
Gain on disposal of mineral properties (Note 8(d))	-	150,000
Impairment of investments (Note 5)	(2,289,533)	(2,619,041)
Foreign exchange loss	(139,942)	(70,322)
Loss before income taxes	(5,792,079)	(5,427,217)
Deferred income tax (expense) recovery (Note 14)	(13,757)	13,765
Net loss for the year	(5,805,836)	(5,413,452)
Other comprehensive (loss) income		
Items that will be reclassified to net loss		
Unrealized loss on investments	(135,524)	(2,513,167)
Transfer on impairment of investments to net loss	29,709	2,619,041
Deferred income tax recovery (expense)	13,757	(13,765)
Other comprehensive (loss) income, net of tax	(92,058)	92,109
Total comprehensive loss for the year	$ (5,897,894)	$ (5,321,343)
Loss per share, basic and diluted	$ (0.05)	$ (0.04)
Weighted average number of common shares outstanding	122,338,202	120,871,218

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

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) income	Deficit	Total shareholders' equity
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
Common share units issued in equity financing	2,571,214	683,857	216,068	-	-	899,925
Exercise of stock options	1,375,000	384,215	(164,215)	-	-	220,000
Share-based payments	-	-	30,214	-	-	30,214
Net loss for the year	-	-	-	-	(5,805,836)	(5,805,836)
Total other comprehensive loss for the year	-	-	-	(92,058)	-	(92,058)
At March 31, 2018	125,617,907	$ 73,529,602	$ 1,476,158	$ -	$ (17,249,750)	$ 57,756,010

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, 2018	Year ended March 31, 2017
Operating activities		
Net loss for the year	$ (5,805,836)	$ (5,413,452)
Items not involving cash:		
Depreciation (Note 9)	6,968	17,531
Share-based payments (Note 10)	30,214	668,243
Gain on disposal of mineral properties (Note 8(d))	-	(150,000)
Impairment of investments (Note 5)	2,289,533	2,619,041
Unrealized foreign exchange loss	133,454	69,382
Deferred income tax	13,757	(13,765)
Changes in non-cash working capital items:		
Amounts receivable and value added tax receivable	(50,688)	(37,322)
Prepaid expenses	(271,500)	(4,127)
Accounts payable and accrued liabilities	97,301	15,684
Due to related parties	(5,072)	14,349
Cash used in operating activities	(3,561,869)	(2,214,436)
Investing activity		
Proceeds from disposal of investments	50,517	-
Financing activities		
Proceeds from equity financing (Note 10)	899,925	-
Proceeds from stock option exercises (Note 10)	220,000	340,640
Cash provided by financing activities	1,119,925	340,640
Foreign exchange effect on cash	(132,418)	86,705
Decrease in cash and cash equivalents	(2,523,845)	(1,787,091)
Cash and cash equivalents, beginning of the year	3,096,105	4,883,196
Cash and cash equivalents, end of the year	$ 572,260	$ 3,096,105
Cash and cash equivalents consists of:		
Cash	$ 443,139	$ 94,467
Cash equivalents	129,121	3,001,638
	$ 572,260	$ 3,096,105
Supplemental cash flow information		
Interest received	$ 37,158	$ 15,083

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Levon Resources 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.

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 financial instruments that have been 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.

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, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

	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 power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. 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. Investment transactions are recognized on the settlement date.

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 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 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 stated 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.

Accounting for equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated based on their relative fair values, calculated using the Black-Scholes option pricing model for warrants and the market price for common shares.

Share purchase warrants

Share purchase warrants issued by the Company with an exercise price denominated in the Company's functional currency are considered to be equity instruments, with the consideration received reflected as contributed surplus. Upon exercise, the original consideration is reallocated from contributed surplus to share capital along with the associated exercise price.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, which comprises options and warrants. The dilutive effect of options and warrants assumes that the proceeds to be received on exercise are applied to repurchase common shares. Diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants 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 as 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.

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. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations not yet adopted (continued)

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.

The Company conducted an analysis of the new standard and the potential effects that its implementation will have on the Company's financial reporting and concluded that the implementation of the new standard will not have a material impact on the Company's reported financial results.

We did not make the irrevocable classification choice to record fair value changes on our portfolio of marketable equity securities through other comprehensive income which differs from our accounting policy prior to adoption. Upon adoption of IFRS 9 on April 1, 2018, the Company reclassified $Nil related to unrealized gains on the change in fair value of marketable equity securities from accumulated other comprehensive income to deficit as at March 31, 2018 (2017 - $92,058). Subsequent changes in the fair value of marketable securities will be recorded in net income (loss).

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 15 will be effective for annual periods beginning on or after January 1, 2018. The Company has determined the adoption of IFRS 15 will not have a material impact on the Company's 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 on the carrying amounts of assets and liabilities are outlined below.

Critical accounting judgments

(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 marketable securities 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, 2018 and 2017, there had been prolonged decline in value that suggested that certain of the Company's available-for-sale financial assets were impaired, and as such, the Company recognized an impairment (Note 5).

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") comprise 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, 2018, 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, 2018 and 2017, the Company determined the full balance to be recoverable. Changes in these estimates 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, 2018 and 2017, 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 and warrants***

The fair value of share-based payments and warrants are 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.

(Expressed in Canadian Dollars)

5. INVESTMENTS

At March 31, 2018, the Company held investments as follows:

	Quantity of Common Shares	Cost Less Accumulated Impairments	Accumulated Unrealized Gains (Losses)	Fair Value
Available-for-sale				
Pershing Gold Corporation (i)	1,934,731	$ 5,114,017	$ -	$ 5,114,017
Great Thunder Gold Corp. (ii)	3,011,632	90,349	-	90,349
Balance at March 31, 2018		$ 5,204,366	$ -	$ 5,204,366

(i) As the Company previously recorded an impairment charge as of March 31, 2017 on its investment in Pershing Gold Corporation, the subsequent decline in fair value of $2,229,708 was recognized immediately as an impairment charge in the consolidated statements of operations and comprehensive loss for the year ended March 31, 2018.

During the year ended March 31, 2018, the Company received proceeds of $50,517 from the sale of 19,635 shares in Pershing Gold Corporation.

(ii) During the year ended March 31, 2018 , the Company determined that the significant decline in the fair value of its investment in Great Thunder Gold below its cost is objective evidence of impairment and recorded an impairment charge of $59,825 in the consolidated statements of operations and comprehensive loss.

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

	Quantity of Common Shares	Cost Less Accumulated Impairments	Accumulated Unrealized Gains	Fair Value
Available-for-sale				
Pershing Gold Corporation (i)	1,954,366	$ 7,394,242	$ -	$ 7,394,242
Great Thunder Gold Corp.	3,011,632	150,174	105,815	255,989
Balance at March 31, 2017		$ 7,544,416	$ 105,815	$ 7,650,231

(i) 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.

6. 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 30, 2018 to January 14, 2019, with an interest rate of 0.45%. These deposits are renewed annually.

(Expressed in Canadian Dollars)

7. VALUE ADDED TAX ("VAT") 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, 2018, the amount of VAT due from the Mexican tax authorities is $1,805,310 (2017 - $1,751,783).

During the year ended March 31, 2018, the Company recovered approximately $122,000 of value added tax (2017 - $Nil). In addition the Company was paid interest of approximately $33,000 in connection with its VAT refund.

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.

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition expenditures:

		Cordero
Balance at March 31, 2016, 2017 and 2018	$	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, 2018 and 2017:

		Year ended March 31, 2018		Year ended March 31, 2017
Cordero (Note 8(a))				
Drilling and exploration	$	920,490	$	70,342
Geological and management services		550,213		339,361
Mining rights		334,850		284,431
Payroll and general supplies		105,982		76,268
Balance, end of year	$	1,911,535	$	770,402

(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.

8. EXPLORATION AND EVALUATION ASSETS (continued)

(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.

During the year ended March 31, 2018, the Company also incurred general exploration expenditures of $66,061 (2017 - $133,575) in connection with its exploration properties in Canada and the US, and due diligence and exploration on mining projects.

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)

9. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Equipment	Vehicles	Building and Machinery	Total
COST					
Balance at March 31, 2016, 2017 and 2018	**$ 2,621**	**$ 1,081**	**$ 23,052**	**$ 18,212**	**$ 44,966**
ACCUMULATED DEPRECIATION					
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
Depreciation	-	121	1,830	5,017	6,968
Balance at March 31, 2018	**$ 2,621**	**$ 1,081**	**$ 12,790**	**$ 14,479**	**$ 30,971**
CARRYING AMOUNTS					
At March 31, 2017	$ -	$ 121	$ 12,092	$ 8,750	$ 20,963
At March 31, 2018	**$ -**	**$ -**	**$ 10,262**	**$ 3,733**	**$ 13,995**

For the year ended March 31, 2018, depreciation of $6,968 (2017 - $17,531) was expensed as exploration expenditures.

10. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued

On February 13, 2018, the Company closed a non-brokered private placement consisting of 2,571,214 units at a price of $0.35 per unit for gross proceeds of $899,925. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the company at a price of $0.50 per common share for a period of two years. The gross proceeds from the private placement were allocated to share capital and warrants on a pro-rata basis, based on each component's calculated fair value of $861,357 and $272,150, respectively. The fair value of the warrants was estimated using the Black-Sholes option pricing model based on the following assumptions: expected volatility of 79.82%, a risk-free interest rate of 1.74%, expected dividend yield of Nil%, and expected life of two years. As a result of applying the relative fair value method, the proceeds from the private placement were allocated $683,857 to common shares, and $216,068 to warrants. Securities sold pursuant to the private placement were subject to a four-month resale hold, which expired June 14, 2018, under applicable Canadian securities laws.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Issued (continued)

During the year ended March 31, 2018, the Company issued 1,375,000 shares pursuant to exercises of stock options raising cash proceeds for the Company of $220,000. In connection with the exercise of stock options the Company allocated $164,215 from contributed surplus to share capital.

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.

Share Purchase Warrants

A continuity of the Company's share purchase warrants is as follows:

	Shares issuable on exercise of warrants	Weighted Average Exercise Price
Balance, March 31, 2016 and 2017	-	-
Issued	2,571,214	$0.50
Balance, March 31, 2018	**2,571,214**	**$0.50**

A summary of share purchase warrants issued and outstanding as at March 31, 2018 is as follows:

Expiry Date	Exercise Price	Outstanding March 31, 208
February 13, 2020	$ 0.50	2,571,214

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% 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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

For the years ended March 31, 2018 and 2017, stock option activity is summarized as follows:

	Number of options	Weighted Average Exercise Price
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
Exercised	(1,375,000)	$0.16
Stock options outstanding, March 31, 2018	**8,846,000**	**$0.17**

A summary of stock options outstanding and exercisable as at March 31, 2018 is as follows:

Expiry Date	Exercise Price	Outstanding March 31, 2018	Exercisable March 31, 2018
November 3, 2020	$ 0.16	8,346,000	8,346,000
August 17, 2021	$ 0.39	500,000	500,000
		8,846,000	**8,846,000**

The Company did not grant any stock options for the year ended March 31, 2018. 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.

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, 2018, share-based payment expense of $30,214 (2017 - $668,243) was recognized in the consolidated statements of operations and comprehensive loss.

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:

	2018	2017
Fair value of options at grant date	-	$ 0.40
Risk-free interest rate	-	0.64%
Expected dividend yield	-	-
Expected option life (years)	-	4.92
Expected share price volatility	-	106.54%

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

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

11. 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, 2018 and 2017 are as follows:

		Year ended March 31, 2018		Year ended March 31, 2017
Consulting and management fees (i)(ii)	$	712,256	$	722,510
Share-based compensation		-		367,369
	$	712,256	$	1,089,879

(i) For the year ended March 31, 2018, $75,193 (2017 - $64,414) was included as exploration expenses and $40,230 (2017 - $54,263) 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.

Due to related parties

As at March 31, 2018, the due to related parties balance includes $29,707 owing to key management personnel (2017 - $34,779).

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, 2018
Not later than one year	$	238,539
Later than one year and no later than five years		145,058
	$	383,597

Included in the above table are the following consulting contracts with key management:
(i) A consulting agreement with the Company's 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 the Company's 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, 2018. The Company is committed to pay a success fee of 4% on any amount raised for the Company.

(Expressed in Canadian Dollars)

12. 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, 2018	March 31, 2017
Mexico		
Exploration and evaluation assets	$ 50,000,000	$ 50,000,000
Property and equipment	13,995	20,963
	$ 50,013,995	$ 50,020,963

13. COMMITMENTS

The Company's commitments for future minimum payments in respect of operating lease agreements as at March 31, 2018 are as follows:

	March 31, 2018
Not later than one year	$ 41,876

14. INCOME TAXES

A reconciliation of income tax recovery computed at the Canadian statutory rate of 26% (2017 - 26%) to income tax recovery (expense) for the years ended March 31, 2018 and 2017 is as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Loss before income taxes	$ (5,792,079)	$ (5,427,217)
Statutory income tax rate	26%	26%
Expected income tax recovery	(1,505,941)	(1,411,076)
Non-deductible expenses and other	13,186	57,016
Adjustments due to effective tax rate attributable to income taxes in other countries	(58,838)	8,445
Change in foreign exchange on tax assets and liabilities	(96,001)	97,167
Change in timing differences	(363,889)	588,767
Unused tax losses and tax offsets not recognized	2,025,240	645,916
Income tax expense (recovery)	$ 13,757	$ (13,765)

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

The Canadian Federal corporate tax rate is 15.00% and the British Columbia rate is 11.00%. The statutory tax rate in Mexico is 30%.

As at March 31, 2018 and 2017, 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, 2018		March 31, 2017
Non-capital loss carry-forwards	$	17,149,637	$	15,704,449
Property and equipment		108,550		101,533
Investments		8,961,274		3,328,823
Unrecognized deductible temporary differences	$	26,219,461	$	19,134,805

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

		Canada		Mexico		Total
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		2,224,000		-		2,224,000
2038		1,742,000		-		1,742,000
	$	6,563,000	$	10,850,000	$	17,413,000

15. 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, 2018. The Company is not subject to external restrictions on its capital.

16. 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 follows:

The Company has classified its cash and cash equivalents as FVTPL. Investments are classified as available-for-sale. Reclamation deposits are classified as loans and receivables. Accounts payable and accrued liabilities and amounts due to related parties are classified as other liabilities.

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, 2018 and 2017.

(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, 2018, the Company has current liabilities of $179,616 (2017 - $85,319). 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, 2018 with respect to its cash and cash equivalent positions.

16. FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

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 that are traded on the NASDAQ.

Based on the net US dollar denominated asset and liability exposures as at March 31, 2018, a 5% fluctuation in the Canadian/US exchange rates would result in an additional foreign exchange gain or loss of approximately $10,000 in the consolidated statement of operations and comprehensive loss, and a $256,000 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, 2018, a 5% fluctuation in the Canadian/Mexican exchange rates would result in an additional foreign exchange gain or loss of approximately $121,000 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 additional change of approximately $256,000 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 of 0.20% 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.

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

(d) Fair value of financial instruments

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, 2018.

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 572,260	$ -	$ -
Investments	$ 5,204,366	$ -	$ -
Reclamation deposits	$ -	$ 32,629	$ -

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	$ -