

# **LEVON RESOURCES LTD.**

**(An Exploration Stage Company)**

## **Condensed Interim Consolidated Financial Statements - Unaudited**

**For the three and nine months ended December 31, 2016  
(Expressed in Canadian Dollars)**

#### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**LEVON RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**As at December 31, 2016, and March 31, 2016**

	<b>December 31, 2016</b>	<b>March 31, 2016</b>
		(Note 3)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,761,109	\$ 4,883,196
Amounts receivable	9,340	9,836
Prepaid expenses and deposits	17,541	19,007
Investments (Note 4)	8,716,419	10,013,399
	12,504,409	14,925,438
<b>Non-current assets</b>		
Reclamation deposits (Note 5)	32,629	32,629
Amounts receivable (Note 6)	1,548,938	1,875,927
Exploration and evaluation assets (Note 7)	50,000,000	50,000,000
Property and equipment	28,815	38,494
<b>Total Assets</b>	<b>\$ 64,114,791</b>	<b>\$ 66,872,488</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 55,101	\$ 35,833
Due to related parties (Note 10)	37,783	20,430
<b>Total Liabilities</b>	<b>92,884</b>	<b>56,263</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	72,409,949	71,869,874
Contributed surplus	1,356,848	976,864
Accumulated other comprehensive loss	(1,258,924)	(51)
Deficit	(8,485,966)	(6,030,462)
<b>Total Equity</b>	<b>64,021,907</b>	<b>66,816,225</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 64,114,791</b>	<b>\$ 66,872,488</b>

Approved on behalf of the Board:

*"Edward Karr"*

Edward Karr, Director

*"Ron Tremblay"*

Ron Tremblay, Director

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

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
				(note 3)
<b>Expenses</b>				
Consulting and management fees (Note 10)	\$ 224,274	\$ 230,957	\$ 667,152	\$ 495,276
Exploration (Notes 7 and 10)	171,783	62,916	496,941	272,433
General exploration (Notes 7(e) and 10)	39,511	33,621	87,925	56,118
Listing and filing fees	35,750	28,169	60,106	54,289
Office, occupancy and miscellaneous	36,009	34,235	99,469	78,412
Professional fees	6,734	21,853	63,873	50,364
Share-based payments (Notes 8 and 10)	144,586	464,184	609,419	464,184
Shareholder relations and promotion	16,416	5,060	44,382	27,551
Travel	16,767	24,166	47,253	55,206
	(691,830)	(905,161)	(2,176,520)	(1,553,833)
Finance income	2,198	17,608	8,180	30,715
Gain on disposal of mineral properties (Note 7(d))	-	-	150,000	-
Gain on discharge of debenture (Note 9)		700,000	-	700,000
Foreign exchange (loss) gain	(4,848)	188,217	(249,058)	409,937
<b>(Loss) income before income taxes</b>	<b>(694,480)</b>	<b>664</b>	<b>(2,267,398)</b>	<b>(413,181)</b>
Deferred income tax expense	(405,898)	(69,122)	(188,106)	(608,161)
<b>Net loss for the period</b>	<b>(1,100,378)</b>	<b>(68,458)</b>	<b>(2,455,504)</b>	<b>(1,021,342)</b>
<b>Other comprehensive loss</b>				
<b>Items that will be reclassified to net loss</b>				
Unrealized loss on investments (Note 4)	(3,122,298)	(531,709)	(1,446,979)	(4,678,166)
Deferred income tax	405,898	69,122	188,106	608,161
<b>Other comprehensive loss, net of tax</b>	<b>(2,716,400)</b>	<b>(462,587)</b>	<b>(1,258,873)</b>	<b>(4,070,005)</b>
<b>Total comprehensive loss for the period</b>	<b>\$ (3,816,778)</b>	<b>\$ (531,045)</b>	<b>\$ (3,714,377)</b>	<b>\$ (5,091,347)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>121,484,193</b>	<b>119,552,693</b>	<b>120,633,561</b>	<b>76,072,623</b>

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	Deficit	Total shareholders' equity
<b>At March 31, 2015</b>	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Issuance of common shares pursuant to plan of arrangement (Note 3)	119,542,692	71,869,873	-	-	-	71,869,873
Share-based compensation	-	-	464,184	-	-	464,184
Net loss for the period	-	-	-	-	(1,021,342)	(1,021,342)
Total other comprehensive loss for the period	-	-	-	(4,070,005)	-	(4,070,005)
<b>At December 31, 2015</b>	119,542,693	71,869,874	464,184	(4,070,005)	(1,021,342)	67,242,711
Share-based payments	-	-	512,680	-	-	512,680
Net loss for the period	-	-	-	-	(5,009,120)	(5,009,120)
Total other comprehensive income for the period	-	-	-	4,069,954	-	4,069,954
<b>At March 31, 2016</b>	119,542,693	71,869,874	976,864	(51)	(6,030,462)	66,816,225
Exercise of stock options	1,941,500	540,075	(229,435)	-	-	310,640
Share-based payments	-	-	609,419	-	-	609,419
Net loss for the period	-	-	-	-	(2,455,504)	(2,455,504)
Total other comprehensive loss for the period	-	-	-	(1,258,873)	-	(1,258,873)
<b>At December 31, 2016</b>	121,484,193	\$ 72,409,949	\$ 1,356,848	\$ (1,258,924)	\$(8,485,966)	\$ 64,021,907

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)**

	<b>Nine months ended December 31, 2016</b>	<b>Nine months ended December 31, 2015</b>
		(note 3)
<b>Operating activities</b>		
Net loss for the period	\$ (2,455,504)	\$ (1,021,342)
Items not involving cash:		
Depreciation	9,679	8,663
Share-based payments (Note 8)	609,419	464,184
Gain on disposal of mineral properties (Note 7(d))	(150,000)	-
Gain on discharge of debenture (Note 9)	-	(700,000)
Unrealized foreign exchange	258,584	(415,467)
Deferred income tax	188,106	608,161
Changes in non-cash working capital items:		
Amounts receivable	(25,967)	226,242
Prepaid expenses and deposits	1,373	(14,092)
Accounts payable and accrued liabilities	21,896	(153,980)
Due to related parties	18,021	(16,836)
<b>Cash used in operating activities</b>	<b>(1,524,393)</b>	<b>(1,014,467)</b>
<b>Investing activity</b>		
Proceeds from discharge of debenture		700,000
Net cash acquired from acquisition	-	5,149,205
<b>Cash provided by investing activity</b>	<b>-</b>	<b>5,849,205</b>
<b>Financing activities</b>		
Proceeds from stock option exercises (Note 8)	310,640	-
<b>Cash provided by financing activity</b>	<b>310,640</b>	<b>-</b>
<b>Foreign exchange effect on cash</b>	<b>91,666</b>	<b>382,310</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,122,087)</b>	<b>5,217,048</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,883,196</b>	<b>1</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,761,109</b>	<b>\$ 5,217,049</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 183,994	\$ 408,879
Cash equivalents	3,577,115	4,808,170
	<b>\$ 3,761,109</b>	<b>\$ 5,217,049</b>
<b>Supplemental cash flow information</b>		
Interest received	\$ 14,264	\$ 25,577
Non-cash transactions (Note 3 and Note 7(d))		

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 3).

These condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting.

**Basis of presentation**

These condensed interim 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. The accounting policies set out in Note 3 of the Company's audited financial statements as at and for the year ended March 31, 2016, have been applied in preparing these condensed interim consolidated financial statements.

**Approval of the condensed interim consolidated financial statements**

These condensed interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 9, 2017.

### **3. 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).

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: Valley High Ventures Ltd., 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 Proyectos 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
Amounts receivable		2,689,851
Exploration and evaluation assets		50,000,000
Property, plant and equipment		51,192
Convertible debenture		-
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 are primarily comprised of recoverable value added taxes from the Canadian and Mexican governments for which the fair value approximates the carrying value.



### 3. ACQUISITION AND ASSUMPTION OF ASSETS AND LIABILITIES (continued)

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, comparables approach based on resource value and attributed share of market capitalization as secondary corroboration. Key assumptions in the adjusted appraised value include the amount that historical expenditures have added to the project value and the market to book value ratio estimate. Key assumptions in the comparables approach include the percentage taken of published median metal prices of deposits with contained metal reflecting Cordero's resource estimates and grades. The fair value estimated is in accordance with Level 3 of the fair value hierarchy.

### 4. INVESTMENTS

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

	Quantity of Common Shares	Cost	Accumulated Unrealized Losses	Fair Value
<b>Available-for-sale</b>				
Pershing Gold Corporation	1,954,366	\$ 10,013,283	\$ (1,432,387)	\$ 8,580,896
Great Thunder Gold Corp.	3,011,632	150,174	(14,651)	135,523
<b>Balance at December 31, 2016</b>		<b>\$ 10,163,457</b>	<b>\$ (1,447,038)</b>	<b>\$ 8,716,419</b>

On April 20, 2016, the Company was issued 3,000,000 shares in Great Thunder Gold Corp. ("Great Thunder") as consideration for the disposal of certain mining claims (Note 7(d)).

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

	Quantity of Common Shares	Cost	Accumulated Unrealized Losses	Fair Value
<b>Available-for-sale</b>				
Pershing Gold Corporation (i)	1,954,366	\$ 10,013,283	\$ -	\$ 10,013,283
Great Thunder Gold Corp.	11,632	175	(59)	116
<b>Balance at March 31, 2016</b>		<b>\$ 10,013,458</b>	<b>\$ (59)</b>	<b>\$ 10,013,399</b>

- (i) 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 was 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. The cost of \$10,013,283 for the shares in the above table is shown net of the \$4,144,425 impairment.

## 5. 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 November 2, 2016 to October 31, 2017, and interest rates from 0.50% to 0.60%. These deposits are renewed annually.

## 6. AMOUNTS RECEIVABLE

The Company has filed claims to recover Mexican value added tax, and is corresponding with the Mexican government to attempt to expedite the recovery of the Mexican value added tax. At December 31, 2016, there are no indications to suggest that the Company's Mexican value added tax is not recoverable.

## 7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition expenditures:

	<b>Cordero</b>
<b>Balance, December 31, 2016 and March 31, 2016</b>	<b>\$ 50,000,000</b>

The Company incurred the following exploration expenditures, which were expensed in the consolidated statements of operations and comprehensive loss for the three and nine month periods ended December 31, 2016 and 2015:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
<b>Cordero (Note 7(a))</b>				
Drilling and exploration	\$ 15,997	\$ 18,484	\$ 52,997	\$ 42,014
Geological and management services	138,118	13,569	256,389	79,149
Mining rights	-	-	128,757	95,803
Payroll and general supplies	17,668	30,863	58,798	55,467
	<b>\$ 171,783</b>	<b>\$ 62,916</b>	<b>\$ 496,941</b>	<b>\$ 272,433</b>

### (a) Cordero Sanson

The Cordero property located near Hidalgo Del Parral, Chihuahua, Mexico, consists of contiguous mining claims held by the Company's wholly owned subsidiary Minera Titan S.A. de C.V.

### (b) Congress claims

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

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

**(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 in the nine month period ended December 31, 2016.

- (e)** During the three and nine month periods ended December 31, 2016 and 2015, the Company also incurred general exploration expenditures of \$39,511 (2015 - \$33,621) and \$87,925 (2015 - \$56,118), respectively, in connection with its exploration properties, 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.

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

**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.

**8. 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 3).

During the nine month period ended December 31, 2016, the Company issued 1,941,500 shares pursuant to exercises of stock options raising cash proceeds for the Company of \$310,640. In connection with the exercise of stock options the Company allocated \$229,435 from contributed surplus to share capital.

**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.

**LEVON RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Nine months ended December 31, 2016**

**8. SHARE CAPITAL (continued)**

**Stock options (continued)**

Stock option activity during the nine month periods ended December 31, 2016 and 2015 are shown below:

	<b>Underlying Shares</b>	<b>Weighted Average Exercised Price</b>
<b>Stock options outstanding, March 31, 2015</b>	-	-
Granted	11,850,000	\$0.16
<b>Stock options outstanding, December 31, 2016</b>	<b>11,850,000</b>	<b>\$0.16</b>
Granted	-	-
<b>Stock options outstanding, March 31, 2016</b>	<b>11,850,000</b>	<b>\$0.16</b>
Granted	500,000	\$0.39
Exercised	(1,941,500)	\$0.16
<b>Stock options outstanding, December 31, 2016</b>	<b>10,408,500</b>	<b>\$0.17</b>

A summary of stock options outstanding and exercisable as at December 31, 2016 and March 31, 2016 is as follows:

<b>Expiry Date</b>	<b>Exercise price</b>	<b>Stock Options Outstanding</b>		<b>Stock Options Exercisable</b>	
		<b>December 31, 2016</b>	<b>March 31, 2016</b>	<b>December 31, 2016</b>	<b>March 31, 2016</b>
November 3, 2020	\$ 0.16	9,846,000	11,600,000	9,846,000	2,900,000
November 13, 2020	\$ 0.16	62,500	250,000	62,500	62,500
August 17, 2021	\$ 0.39	500,000	-	125,000	-
		<b>10,408,500</b>	<b>11,850,000</b>	<b>10,033,500</b>	<b>2,962,500</b>

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of the grant. For the three and nine month periods ended December 31, 2016, share-based payment expense of \$144,586 (2015 - \$464,184) and \$609,419 (2015 - \$464,184), respectively, was recognized in the consolidated statements of operations and comprehensive loss.

**8. 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 fair value of the options granted to officers, directors and consultants during the nine month period ended December 31, 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Nine months ended December 31, 2016</b>
Fair value of options at grant date	\$ 0.50
Risk-free interest rate	0.61%
Expected dividend yield	-
Expected option life (years)	5.00
Expected share price volatility	106.64%

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

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. 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 following assumptions were used in the Black-Scholes option pricing model calculation to determine the incremental fair value: risk-free interest rate – 0.67%; expected option life – 4.83 years; expected share price volatility – 106.45%; and expected dividend yield – Nil%.

**9. 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 3).

**LEVON RESOURCES LTD.**  
**(An Exploration Stage Company)**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Nine months ended December 31, 2016**

**10. 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 the three and nine month periods ended December 31, 2016 and 2015 are as follows:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Consulting and management fees (i)(ii)	\$ 193,308	\$ 176,341	\$ 539,603	\$ 335,340
Share-based compensation	27,735	393,897	367,369	393,897
	<b>\$ 221,043</b>	<b>\$ 570,238</b>	<b>\$ 906,972</b>	<b>\$ 729,237</b>

- (i) For the nine month period ended December 31, 2016, \$49,486 (2015 – \$15,124) was included as exploration expenses and \$39,335 (2015 - \$30,006) 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**

Due to related parties as at December 31, 2016 and March 31, 2016 consists of the following:

	December 31, 2016	March 31, 2016
Chevillon Exploration Ltd. (i)	\$ 20,283	\$ 2,380
NK Financial Services Ltd. (ii)	17,500	18,050
	<b>\$ 37,783</b>	<b>\$ 20,430</b>

- (i) Chevillon Exploration Ltd. is a private company controlled by the VP Exploration/Director of the Company.  
(ii) NK Financial Services Ltd. is a private company controlled by the CFO of the Company.

## 10. RELATED PARTY TRANSACTIONS (continued)

### Commitments with related parties

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

	<b>December 31, 2016</b>
Not later than one year	\$ 590,788
Later than one year and no later than five years	503,513
	<b>\$ 1,094,301</b>

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 expiring on September 30, 2017. The Company is committed to pay a success fee of 4% on any amount raised for the Company.

## 11. SEGMENTED INFORMATION

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

## 12. COMMITMENTS

The Company's commitments for future minimum payments in respect of operating lease agreements as at December 31, 2016 and March 31, 2016 are as follows:

	<b>December 31, 2016</b>	<b>March 31, 2016</b>
Not later than one year	\$ 26,979	\$ 47,235
Later than one year and no later than five years	21,942	37,615
	<b>\$ 48,921</b>	<b>\$ 84,850</b>

## 13. FAIR VALUE MEASUREMENTS

The Company measures certain of its financial assets at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 inputs having the highest priority.



### 13. FAIR VALUE MEASUREMENTS (continued)

The levels of the fair 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 equivalents are comprised of cashable GICs 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.

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

	Level 1		Level 2		Level 3	
Cash and cash equivalents	\$	3,761,109	\$	-	\$	-
Investments	\$	8,716,419	\$	-	\$	-
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, 2016.

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

There were no fair value measurements made as at December 31, 2016 or March 31, 2016 for non-financial assets and liabilities measured at fair value on a non-recurring basis.