



OLIVUT RESOURCES LTD.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED APRIL 30, 2015
(expressed in Canadian dollars)

OLIVUT RESOURCES LTD.
UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

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As at:	April 30, 2015 \$	October 31, 2014 \$
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ASSETS

CURRENT

Cash and cash equivalents (Note 4)	288,099	755,663
Amounts receivable (Note 5)	4,394	3,267
Current portion of prepaid expenses (Note 6)	11,744	181,550
Current portion of loan receivable (Note 9)	<u>17,356</u>	<u>17,356</u>

TOTAL CURRENT ASSETS 321,593 957,836

PREPAID EXPENSES (Note 6) - 66,035

EQUIPMENT (Note 8) 37,267 41,408

LOAN RECEIVABLE (Note 9) 221,809 222,679

TOTAL ASSETS 580,669 1,287,958

LIABILITIES

CURRENT

Accounts payable and accrued liabilities (Notes 10 and 12)	97,332	126,640
Convertible security (Note 11)	-	114,883
Securities Purchase Agreement advance (Note 13(b))	<u>-</u>	<u>42,500</u>

TOTAL CURRENT LIABILITIES 97,332 284,023

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 13(b)) 17,447,276 17,567,375

EQUITY COMPONENT OF CONVERTIBLE SECURITY (Note 11) - 66,524

EQUITY RESERVES

Share options (Note 14) 3,493,279 3,529,950

DEFICIT (20,457,218) (20,159,914)

TOTAL SHAREHOLDERS' EQUITY 483,337 1,003,935

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY 580,669 1,287,958

COMMITMENTS AND CONTINGENCIES (Notes 7 and 15)

GOING CONCERN (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Signed "Leni Keough", Director

Signed "Craig Reith", Director

See accompanying notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

	Three months ended April 30, 2015 \$	Three months ended April 30, 2014 \$	Six months ended April 30, 2015 \$	Six months ended April 30, 2014 \$
Exploration expenses (Note 7)	23,739	56,073	111,668	102,164
Administrative and general expenses (Note 12)	117,001	142,906	235,385	259,984
Share-option amortization expense (Notes 12 and 14)	33,721	-	51,529	114,734
Other amortization	<u>2,071</u>	<u>2,720</u>	<u>4,141</u>	<u>5,441</u>
Loss before the under-noted	(176,532)	(201,699)	(402,723)	(482,323)
Interest income from financial assets at fair value through profit or loss	526	2,270	2,089	5,323
Interest income from loans and receivables	<u>4,062</u>	<u>4,540</u>	<u>8,130</u>	<u>8,843</u>
Loss before income taxes	(171,944)	(194,889)	(392,504)	(468,157)
Deferred income tax recovery	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(171,944)</u>	<u>(194,889)</u>	<u>(371,504)</u>	<u>(468,157)</u>
NET LOSS PER SHARE - basic and diluted	<u>(\$0.00)</u>	<u>(\$0.01)</u>	<u>(\$0.01)</u>	<u>(\$0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
- basic and diluted	<u>38,497,357</u>	<u>36,318,826</u>	<u>38,316,305</u>	<u>36,196,714</u>

See accompanying notes to the unaudited condensed interim financial statements.

OLIVUT RESOURCES LTD.
UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)

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	Three months ended April 30, 2015 \$	Three months ended April 30, 2014 \$	Six months ended April 30, 2015 \$	Six months ended April 30, 2014 \$
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss for the period	(171,944)	(194,889)	(371,504)	(468,157)
Adjustments for charges not involving cash:				
Deferred income tax recovery	-	-	(21,000)	-
Share-option amortization expense	33,721	-	51,529	114,734
Other amortization	2,071	2,720	4,141	5,441
	<u>(136,152)</u>	<u>(192,169)</u>	<u>(336,834)</u>	<u>(347,982)</u>
Changes in non-cash working capital balances:				
(Increase) decrease in amounts receivable	3,063	(1,306)	(1,127)	3,144
Decrease in prepaid expenses	14,261	10,173	11,335	7,075
Increase (decrease) in accounts payable and accrued liabilities	17,317	(730)	(8,308)	(34,311)
	<u>(101,511)</u>	<u>(184,032)</u>	<u>(334,934)</u>	<u>(372,074)</u>
Cash flows used in operating activities	<u>(101,511)</u>	<u>(184,032)</u>	<u>(334,934)</u>	<u>(372,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan receivable	<u>438</u>	<u>199</u>	<u>870</u>	<u>394</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment) of convertible security (Note 11)	-	(150,000)	(150,000)	(150,000)
Exercise of options	-	-	16,500	-
Cost of issue	-	(2,474)	-	(3,007)
	<u>-</u>	<u>(152,474)</u>	<u>(133,500)</u>	<u>(153,007)</u>
Cash flows from financing activities	<u>-</u>	<u>(152,474)</u>	<u>(133,500)</u>	<u>(153,007)</u>
(Decrease) in cash and cash equivalents	(101,073)	(336,307)	(467,564)	(524,687)
Cash and cash equivalents, beginning of period	<u>389,172</u>	<u>889,050</u>	<u>755,663</u>	<u>1,077,430</u>
Cash and cash equivalents, end of period (Note 4)	<u>288,099</u>	<u>552,743</u>	<u>288,099</u>	<u>552,743</u>
SUPPLEMENTARY CASH FLOW INFORMATION				
Common shares issued for SPA advance (Note 13(b))	42,500	-	42,500	52,000
Prepaid financing expense charged to share issue costs (Note 13(b))	184,889	39,616	224,506	79,233
Accretion of convertible security included in cost of issue	-	9,924	-	19,375

See accompanying notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(expressed in Canadian dollars)

	Shares	Capital Stock	Equity Reserves Share Options	Equity Component of Convertible Security	Deficit	Total
	#	\$	\$	\$	\$	\$
	(Note 13(b))	(Note 13(b))	(Note 14)	(Note 11)		
Balance, October 31, 2013	36,020,147	17,337,413	3,415,216	133,048	(19,436,079)	1,449,598
Common shares issued	2,134,588	409,000	-	-	-	409,000
Share issue costs	-	(199,764)	-	-	-	(199,764)
Share-option amortization expense	-	-	114,734	-	-	114,734
Redemption of convertible security	-	20,726	-	(66,524)	-	(45,798)
Net loss for the year	-	-	-	-	(723,835)	(723,835)
Balance, October 31, 2014	38,154,735	17,567,375	3,529,950	66,524	(20,159,914)	1,003,935
Common shares issued	341,915	42,500	-	-	-	42,500
Share issue costs	-	(224,506)	-	-	-	(224,506)
Options exercised	100,000	30,500	(14,000)	-	-	16,500
Options expired	-	-	(74,200)	-	74,200	-
Share-option amortization expense	-	-	51,529	-	-	51,529
Redemption of convertible security	-	31,407	-	(66,524)	-	(35,117)
Net loss for the period	-	-	-	-	(371,504)	(371,504)
Balance, April 30, 2015	38,596,650	17,447,276	3,493,279	-	(20,457,218)	483,337

See accompanying notes to the unaudited condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Olivut Resources Ltd. (the "Company" or "Olivut") is engaged in the acquisition, exploration and evaluation of mineral properties for the purpose of mining diamonds and other precious and base minerals. The Company's shares are listed on the TSX Venture Exchange ("TSXV"). The head office is located at 27010 Hwy 16, 14 Mountain Park Properties, Jasper East, Alberta. These financial statements were reviewed, approved and authorized for issue by the Board of Directors on June 9, 2015.

The Company is in the process of exploring properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current or future exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the ability of the Company to obtain financing, the preservation and confirmation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the carrying values and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of operations. Such adjustments could be material.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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, native land claims and non-compliance with regulatory and environmental requirements. The Company's assets and operations are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company needs equity capital financing in order to explore and evaluate its properties and for working capital requirements (Note 17(a)). Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and/or to reach profitable levels of operation. There is no assurance that funds will be available on terms acceptable to the Company or at all.

2. BASIS OF PRESENTATION

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" (IAS 34) using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies followed in these unaudited condensed interim financial statements are the same as those applied in the Company's most recent audited annual financial statements for the year ended October 31, 2014 except as described in Note 3. These unaudited condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements. Accordingly these unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended October 31, 2014.

2. BASIS OF PRESENTATION (Continued)

In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six month period ended April 30, 2015 are not necessarily indicative of the results that may be expected for the year ending October 31, 2015.

3. ACCOUNTING CHANGES**Changes in Accounting Policies**

The Company has adopted the following standards, along with any consequential amendments, effective November 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended to clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The adoption of this standard did not result in any changes to the Company's financial statements.

IFRS 7 — Financial Instruments: Disclosures (“IFRS 7”) was amended by the IASB in December 2011 to amend the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation (“IAS 32”). The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The adoption of this standard did not result in any significant changes to the Company's financial statements.

IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. In addition this standard was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The adoption of this standard and the amendment did not result in any significant changes to the Company's financial statements.

IAS 24 – Related Party Disclosures (“IAS 24”) was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity.

IAS 32 – Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this standard did not result in any changes to the Company's financial statements.

3. ACCOUNTING CHANGES (Continued)

Changes in Accounting Policies (Continued)

IAS 36 – Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of this standard did not result in any changes to the Company’s financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The adoption of this standard did not result in any changes to the Company’s financial statements.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting annual periods beginning after November 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

4. CASH AND CASH EQUIVALENTS

	April 30, 2015	October 31, 2014
	\$	\$
Cash in accounts at Canadian chartered banks	<u>288,099</u>	<u>755,663</u>

5. AMOUNTS RECEIVABLE

	April 30, 2015	October 31, 2014
	<u>\$</u>	<u>\$</u>
GST input tax credit	4,394	3,267

6. PREPAID EXPENSES

	April 30, 2015	October 31, 2014
	<u>\$</u>	<u>\$</u>
Current portion of prepaid expenses:		
Insurance premiums	11,744	19,166
Deposit for future conference	-	3,913
Financing costs (Note 13(b))	-	158,471
	<u>11,744</u>	<u>181,550</u>
Long term portion of prepaid expenses:		
Financing costs (Note 13(b))	<u>-</u>	<u>66,035</u>

The prepaid financing costs are charged to share issue costs over the term of the SPA (Note 13(b)) on a straight-line basis. The SPA was terminated on March 27, 2015 and the balance of the prepaid financing costs were charged to share issue costs.

7. MINERAL PROPERTY AND EXPLORATION EXPENDITURES

The Company has a 100% interest in the HOAM Project located in the Mackenzie Region, Northwest Territories, Canada (the "HOAM Project"). This interest is subject to a 1.5% Net Smelter Return royalty ("NSR"), 50% of which is held by a director and officer of the Company.

During the six months ended April 30, 2015, the Company incurred \$111,668 (2014 - \$102,164) on exploration expenditures. Cumulative exploration expenditures made by the Company as at April 30, 2015 total \$15,682,643 (at October 31, 2014 - \$15,570,975). This cumulative total represents \$14,733,555 spent on the HOAM Project (October 31, 2014 - \$14,621,887) and \$949,088 spent on other projects where the Company's interests have been terminated (October 31, 2014 - \$949,088).

8. EQUIPMENT

	April 30, 2015			October 31, 2014		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	\$	\$	\$	\$	\$	\$
Drill rig	91,288	54,021	37,267	91,288	49,880	41,408

9. LOAN RECEIVABLE

On May 25, 2007, the Company loaned \$250,000 to an unrelated corporation that is providing services to the Company. The loan bears interest at 7% per annum and is secured by a general security agreement covering all assets of the borrower. Repayment terms include monthly payments of interest and principal of \$1,500 with the balance due May 25, 2017.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2015	October 31, 2014
	\$	\$
Corporate payables and accrued liabilities (Note 12)	95,012	122,715
Exploration expense payables	2,320	3,925
	<u>97,332</u>	<u>126,640</u>

11. CONVERTIBLE SECURITY

On March 12, 2013, the Company entered into a Securities Purchase Agreement (the "SPA") that could have raised, depending on market conditions and other factors, up to \$18 million over approximately the following 36 months in a tranching placement of securities to the Canadian Special Opportunity Fund, L.P., a fund managed by The Lind Partners, a New York-based asset management firm (together "Lind").

On March 13, 2013, the initial investment by Lind of \$500,000 consisted of (i) a \$300,000 callable, convertible security and (ii) \$200,000 to purchase common shares (Note 13(b)).

Lind elected to redeem the convertible security, \$150,000 of which was repaid to Lind by the Company on April 29, 2014 and the \$150,000 balance was repaid on November 14, 2014.

In accordance with IFRS, the convertible security was bifurcated into a liability component and an equity component. The equity component represented the value of the conversion feature and is the difference between the fair value of the liability component and the proceeds received of \$300,000. Management estimated the value of the liability component of the convertible security using the effective interest rate method, using an interest rate of 20%. The rate used in determining the appropriate value of the liability component of the convertible security and to appropriately apply the effective interest rate method to the convertible security was subject to significant management estimation.

Convertible security, October 31, 2014	\$150,000
Redemption of security November 14, 2014	<u>(150,000)</u>
Convertible security, April 30, 2015	<u>-</u>

Bifurcated as follows:

Equity component, October 31, 2014	\$66,524
Equity component redeemed	<u>(66,524)</u>
Equity component, April 30, 2015	<u>-</u>
Liability component, October 31, 2014	114,883
Liability component redeemed	<u>(114,883)</u>
Liability component, April 30, 2015	<u>-</u>

12. RELATED PARTY TRANSACTIONS

The remuneration of directors and key management personnel during the period was as follows:

	Six months ended April 30	
	2015	2014
	<u>\$</u>	<u>\$</u>
Salaries and remuneration	117,000	123,000
Benefits	12,735	12,313
Share-option amortization expense	<u>31,897</u>	<u>103,697</u>
Total remuneration	<u>161,632</u>	<u>239,010</u>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

No bonuses were paid in the six months ended April 30, 2015 and 2014. Independent non-executive directors are not remunerated other than the benefits received, if any, from the granting of share options.

In addition to salaries and benefits, during the three and six month periods ended April 30, 2015, a total of \$2,400 and \$4,800 respectively (2014 - \$2,400 and \$4,800 respectively) for administrative and general expenses included in the statement of operations were accrued or paid to directors and officers of the Company or persons or companies related to or controlled by them. The directors and officers of the Company or persons or companies related to or controlled by them were also reimbursed at cost for expenses incurred on behalf of the Company.

In connection with the October 15, 2014 private placement (see Note 13(b)), 220,000 common shares with flow-through tax benefits to the shareholders ("flow-through shares") were sold to an officer and director of the Company.

Amounts included in accounts payable and accrued liabilities owed to directors and officers of the Company or persons or companies related to or controlled by them are as follows:

	Amounts owed to related parties, as at	
	<u>April 30, 2015</u>	<u>October 31, 2014</u>
	<u>\$</u>	<u>\$</u>
Officers and directors	<u>76,155</u>	<u>23,955</u>

Included in the amount owing to officers and directors is \$76,155 (October 31, 2014 - \$21,155) representing unpaid salary and vacation pay owing to the Company's CEO.

Amounts owing to the related parties are unsecured and non-interest bearing with no fixed terms of repayment.

13. CAPITAL STOCK

The capital stock is as follows:

a) Authorized

Unlimited number of common shares without par value

b) Issued

38,596,650 common shares

A summary of changes during the six months ended April 30, 2015 is as follows:

	Common Shares #	Amount \$
Balance, October 31, 2014	38,154,735	17,567,375
SPA tranche	341,915	42,500
Options exercised	100,000	30,500
Share issue costs	-	(224,506)
Redemption of convertible security	-	31,407
	<hr/>	<hr/>
Balance, April 30, 2015	<u>38,596,650</u>	<u>17,447,276</u>

On March 12, 2013, the Company entered into the SPA which, in addition to the convertible security described in Note 11, provided that over approximately 36 months following the initial investment made on March 13, 2013 Lind could invest up to \$17,700,000 in tranching placements of common shares.

On September 30, 2014 Lind elected to pause additional cash advances and the related tranche securities issuance. On March 27, 2015 the Company and Lind mutually agreed to terminate the SPA.

The final tranche of \$42,500 received by the Company on August 18, 2014 was settled on March 17, 2015 by the issuance of 341,915 common shares priced in accordance with the terms of the SPA.

In the six months ended April 30, 2015, a total of \$224,506 (2014 - \$79,233) prepaid financing costs were charged to share issue costs (Note 6).

Copies of the qualifying base shelf prospectus relating to the SPA dated March 11, 2013, the prospectus supplement dated March 12, 2013 and specific pricing supplements for securities issued are available on SEDAR. These documents, as well as any documents incorporated therein by reference, may be obtained on request without charge from Olivut, at its offices located at 27010 Highway 16, 14 Mountain Park Properties, Jasper East, Alberta, or by faxing a written request to (780) 866-3713, by mail to P.O. Box 6690 Hinton, Alberta T7V 1X8 or by accessing the disclosure documents available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

13. CAPITAL STOCK (Continued)

b) Issued (Continued)

On October 15, 2014, the Company issued a total of 1,545,000 common shares through a non-brokered private placement for aggregate gross proceeds of \$330,000. The private placement comprised the placements of (i) 420,000 flow-through shares for proceeds of \$105,000 at a price of \$0.25 per flow-through share and (ii) 1,125,000 common shares for proceeds of \$225,000 at a price of \$0.20 per common share.

14. EQUITY RESERVES

Share options

	Number of Options #	Weighted Average Exercise Price \$	Estimated Grant Date Fair Value of Options Amortized \$
October 31, 2014	3,145,000	1.171	3,529,950
Options exercised	(100,000)	0.165	(14,000)
Options expired	(465,000)	0.165	(65,100)
Options granted	1,130,000	0.110	-
Options expired	(35,000)	0.300	(9,100)
Share-option amortization expense	-	-	51,529
April 30, 2015	<u>3,675,000</u>	<u>1.007</u>	<u>3,493,279</u>

The Company's Share Option Plan (the "Plan") provides for the granting of share options to independent directors (who receive no other compensation from the Company), officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years at exercise prices not less than the closing sale price of the Company's shares on the TSXV on the trading day immediately preceding the date the options are granted, and are not transferable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued shares.

The fair value attributed to the options when granted is charged to share-option amortization expense and added to equity reserves over the period the options vest. \$33,721 and \$51,529 respectively were charged to share-option amortization expense during the three and six months ended April 30, 2015 (2014 - \$Nil and \$114,734 respectively).

14. EQUITY RESERVES (Continued)

The following is a summary of share options outstanding at April 30, 2015:

Expiry Date	Outstanding Share Options #	Exercisable Share Options #	Estimated Grant Date Fair Value \$	Exercise Price \$
September 11, 2015	162,500	162,500	219,375	1.400
March 10, 2016	50,000	50,000	73,500	1.700
June 27, 2022	2,332,500	2,332,500	3,148,875	1.400
December 15, 2024	1,130,000	-	113,000	0.110
Total, April 30, 2015	3,675,000	2,545,000	3,554,750	

The weighted average remaining contractual life of options as of April 30, 2015 is 7.5 years (October 31, 2014 – 5.8 years). The weighted average exercise price of options exercisable as at April 30, 2015 is \$1.41 (October 31, 2014 - \$1.17).

15. COMMITMENTS AND CONTINGENCIES

a) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

b) Management Contracts

The Company is party to a management contract. Minimum contract commitments remaining under the agreement are approximately \$660,000, including \$220,000 due within one year. Upon the occurrence of certain events such as a change in control, the contract requires payment of up to \$1,000,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

c) Flow-Through Shares

Pursuant to the issuance of 420,000 flow-through shares on October 15, 2014 (Note 13(b)), the Company renounced \$105,000 of qualified exploration expenditures with an effective date of December 31, 2014. The Company is required to expend this amount on qualified exploration expenditures by December 31, 2015. As of April 30, 2015, the Company has expended all of this amount on qualified exploration expenditures.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting this expenditure commitment.

15. COMMITMENTS AND CONTINGENCIES (Continued)

d) Operating Lease

The Company is committed to an operating lease for equipment rental, which expires on July 1, 2017. Minimum lease payments for successive fiscal years ending October 31 are as follows:

Year	Amount \$
2015	1,411
2016	2,822
2017	<u>1,411</u>
	<u>5,644</u>

16. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration properties. The capital of the Company consists of capital stock and equity reserves. The Board of Directors does not establish quantitative return on capital criteria for the Company's management, but rather relies on the expertise of management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. Accordingly, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for its administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if reasonably available. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended April 30, 2015 or the year ended October 31, 2014. The Company is not subject to externally imposed capital requirements.

17. FINANCIAL RISK FACTORS

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

a) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. As at April 30, 2015, the Company had a cash balance of \$288,099 to settle accounts payable and accrued liabilities of \$97,332. All of the Company's financial liabilities have contractual maturities of less than one year. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. Although the Company has been successful in the past in obtaining financing, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. The Company will need to rely on new sources of equity financing, if available, to meet its ongoing working capital requirements. On the basis of the Company's current cash position, management of the Company believes that it has sufficient funds to meet its ongoing administrative and general costs until the fiscal year ended October 31, 2015 and will be soliciting additional financing during the remainder of the year to enable the Company to continue to operate, including exploration on its projects and to consider new opportunities. Failure to obtain additional financing could result in delay or the indefinite postponement of further exploration and the development of the Company's properties, as well as the loss of prospecting permits and mineral claims and even the risk of the Company continuing as a going concern.

b) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and a loan receivable. The Company has no significant credit risk arising from operations. Cash and cash equivalents consist of bank deposits with a Canadian chartered bank. The loan receivable as described in Note 9 is secured by all assets of the borrower. Management believes that the credit risk with respect to these financial instruments is remote.

c) Market Risk

(i) Interest Rate Risk

The Company's current policy is to invest its cash and cash equivalents balances in interest bearing accounts with its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company considers interest rate risk to be minimal. The loan receivable is at a fixed interest rate and it is expected that future financings, if any, would be secured from equity placements rather than debt obligations.

(ii) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the foreign exchange risk from currency conversions is negligible.

17. FINANCIAL RISK FACTORS (Continued)

c) Market Risk (Continued)

(iii) Price Risk

The Company is exposed to price risk with respect to commodity prices. Although the Company has no influence on commodity prices, it closely monitors commodity prices to determine appropriate courses of action.

d) Fair Value

The fair value hierarchy consists of the following: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. as derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and, as at October 31, 2014, the liability related to the securities purchase agreement advance pursuant to the SPA, are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for amounts receivable, accounts payable and accrued liabilities and, as at October 31, 2014, the securities purchase agreement advance pursuant to the SPA, on the statements of financial position approximate fair value because of the limited terms of these instruments. The fair value of the loan receivable approximates carrying value as the interest rate approximates the current rate for similar instruments.

The Company's financial instruments that are carried at fair value consist of cash equivalents that do not have quoted market prices. They have been classified as Level 2 within the fair value hierarchy.

e) Sensitivity to Financial Risks

The Company considers interest rate risk to be minimal. The loan receivable (Note 9) has a fixed interest rate of 7% and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on the cash and cash equivalents held by the Company as at April 30, 2015, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$3,000 annually.

The Company does not hold any balances in foreign currencies to give rise to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.