OLIVUT RESOURCES LTD.

FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013
(expressed in Canadian dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Olivut Resources Ltd.

We have audited the accompanying financial statements of Olivut Resources Ltd., which comprise the statements of financial position as at October 31, 2014 and 2013, and the statements of operations and comprehensive loss, statements of cash flows, and statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Olivut Resources Ltd. as at October 31, 2014, and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
December 10, 2014

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

As at:	October 31, 2014 $	October 31, 2013 $
ASSETS		
CURRENT		
Cash and cash equivalents (Note 5)	755,663	1,077,430
Amounts receivable (Note 6)	3,267	9,523
Current portion of prepaid expenses (Note 7)	181,550	177,231
Current portion of loan receivable (Note 10)	17,356	16,822
TOTAL CURRENT ASSETS	957,836	1,281,006
PREPAID EXPENSES (Note 7)	66,035	224,503
EQUIPMENT (Note 9)	41,408	54,240
LOAN RECEIVABLE (Note 10)	222,679	229,207
TOTAL ASSETS	1,287,958	1,788,956
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 11 and 13)	126,640	98,329
Convertible security (Notes 12 and 20)	114,883	189,029
Securities Purchase Agreement advance (Note 15(b))	42,500	52,000
TOTAL CURRENT LIABILITIES	284,023	339,358
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 15(b))	17,567,375	17,337,413
EQUITY COMPONENT OF CONVERTIBLE SECURITY (Notes 12 and 20)	66,524	133,048
EQUITY RESERVES		
Stock options (Note 16)	3,529,950	3,415,216
DEFICIT	(20,159,914)	(19,436,079)
TOTAL SHAREHOLDERS' EQUITY	1,003,935	1,449,598
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,287,958	1,788,956

COMMITMENTS AND CONTINGENCIES (Notes 8, 15 and 17)
GOING CONCERN (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Signed "Leni Keough", Director

Signed "Craig Reith", Director

See accompanying notes to the financial statements.

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(expressed in Canadian dollars)
FOR THE YEARS ENDED OCTOBER 31

	2014 $	2013 $
Exploration expenses (Notes 8 and 13)	160,889	450,120
Administrative and general expenses (Note 13)	456,743	520,921
Stock-option amortization expense (Notes 13 and 16)	114,734	1,823,485
Other amortization	17,175	13,622
Loss before the under-noted	(749,541)	(2,808,148)
Interest income from financial assets at fair value through profit or loss	9,358	15,472
Interest income from loans and receivables	16,348	17,251
Loss before income taxes	(723,835)	(2,775,425)
Deferred income tax recovery (Note 14(a))	-	99,210
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(723,835)	(2,676,215)
NET LOSS PER SHARE - basic and diluted	($0.02)	($0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - basic and diluted	36,434,391	35,075,490

See accompanying notes to the financial statements.

OLIVUT RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)
FOR THE YEARS ENDED OCTOBER 31

	2014 $	2013 $
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	(723,835)	(2,676,215)
Adjustments for charges not involving cash:		
Deferred income tax recovery	-	(99,210)
Stock-option amortization expense	114,734	1,823,485
Other amortization	17,175	13,622
	(591,926)	(938,318)
Changes in non-cash working capital balances:		
Decrease in amounts receivable	6,256	27,833
(Increase) decrease in prepaid expenses	(4,319)	3,664
Increase (decrease) in accounts payable and accrued liabilities	7,311	(128,305)
Cash flows used in operating activities	(582,678)	(1,035,126)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable	1,651	750
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) issue of convertible security (Notes 12 and 20)	(150,000)	300,000
Issue of common shares	378,000	657,873
Securities Purchase Agreement advance	42,500	52,000
Cost of issue	(11,240)	(39,629)
(Increase) in prepaid expenses related to cost of issue	-	(154,292)
Cash flows from financing activities	259,260	815,952
(Decrease) in cash and cash equivalents	(321,767)	(218,424)
Cash and cash equivalents, beginning of year	1,077,430	1,295,854
Cash and cash equivalents, end of year (Note 5)	755,663	1,077,430

SUPPLEMENTARY CASH FLOW INFORMATION		
Common shares issued for SPA commitment fees (Note 15(b))	-	200,000
Common shares issued for SPA advance (Note 15(b))	52,000	-
Prepaid financing expense charged to share issue costs (Note 15(b))	158,468	93,189
Accretion of convertible security included in cost of issue (Note 12)	30,056	22,077

See accompanying notes to the financial statements.

OLIVUT RESOURCES LTD.
STATEMENTS OF CHANGES IN EQUITY
(expressed in Canadian dollars)

	Shares	Capital Stock	Equity Reserves Stock Options	Equity Component of Convertible Security	Deficit	Total
	# (Note 15(b))	$ (Note 15(b))	$ (Note 16)	$ (Note 12)	$	$
Balance, October 31, 2012	33,927,382	16,733,645	1,671,731	-	(16,839,864)	1,565,512
Common shares issued	1,750,660	532,873	-	-	-	532,873
Flow-through shares issued	342,105	225,790	-	-	-	225,790
Share issue costs	-	(154,895)	-	-	-	(154,895)
Equity component of convertible security	-	-	-	133,048	-	133,048
Options expired	-	-	(80,000)	-	80,000	-
Stock-option amortization expense	-	-	1,823,485	-	-	1,823,485
Net loss for the year	-	-	-	-	(2,676,215)	(2,676,215)
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)
Stock-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**

See accompanying notes to the 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 December 10, 2014.

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 preservation and confirmation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing, if necessary, 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 19(b)). 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 financial statements, including comparatives, have been prepared in accordance 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").

These financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis, except for financial instruments measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Judgements and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results could differ from those reported. Management believes that the estimates are reasonable.

The areas which require management to make significant judgements, estimates and assumptions in determining the reported amounts include, but are not limited to:

(i) Income Taxes and Recoverability of Potential Deferred Tax Assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(ii) Share-Based Payments and Warrants

Management determines the value of share-based payments and warrants using market-based valuation techniques. The fair value of warrants and the market-based and performance-based non-vested share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques. These assumptions and judgements include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(iii) Contingencies

Refer to Note 17.

(iv) Convertible Security

Refer to Note 12.

(v) Impairment of Financial Assets

Refer to Note 3(l)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances in accounts with banks and guaranteed investment certificates issued by Canadian chartered banks, with original maturities of three months or less.

(c) Currency Translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit and loss.

(d) Acquisition, Exploration, Evaluation and Development of Mineral Property Interests

Exploration and evaluation costs including property acquisition costs are expensed as incurred.

Development costs are expensed until it has been established that a mineral deposit is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company capitalizes expenditures subsequently incurred to develop the mine, prior to the start of mining operations.

(e) Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company does not have any significant provisions as of October 31, 2014 or October 31, 2013.

(f) Rehabilitation Provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Rehabilitation Provision (continued)

The obligation generally arises when the asset is installed or the ground and/or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is expensed under exploration expenses. 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. The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of operations. The Company does not have any material rehabilitation provisions as of October 31, 2014 or October 31, 2013.

(g) Equipment

Equipment is stated at acquisition cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of the consideration given to acquire or construct an asset and includes direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different lives, they are accounted for as separate items (major components) of equipment.

Equipment is amortized over the estimated useful lives of the assets on the declining balance basis using the following annual rates:

Drill rig	- 20% declining balance
Office equipment	- 20% declining balance
Computer equipment	- 30% declining balance

The carrying value of equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the equipment’s recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell the equipment and the equipment’s value in use.

(h) Flow-Through Financing

The proceeds from the issuance of common shares with flow-through tax benefits to the shareholders (“flow-through shares”) are segregated as follows: the premium investors pay for the flow-through feature, if any, is recorded as a liability and included in accounts payable and accrued liabilities; the remaining net proceeds are recorded as share capital. Upon renunciation to the investor of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the liability previously recorded in accounts payable is reversed with any difference being recorded as a deferred tax recovery (expense). To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

(i) Share-Based Payments

Equity-settled share-based payments to directors, employees and consultants that meet the definition of an employee under IFRS are measured at the fair value of the equity instruments at the grant date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share-Based Payments (continued)

The Company has a share option plan that provides for vesting of rights under the plan in tranches over a period of time. Each tranche is recognized on a graded-vesting basis over the period in which options vest and is recorded as a charge to operations and a credit to equity reserves. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. When options are exercised the consideration received plus the related share-based payments reserve is credited to share capital. The equity reserve relating to options cancelled or forfeited before vesting is credited to operations and after vesting directly to retained earnings (deficit).

Equity-settled share-based payment transactions with parties other than directors, employees and consultants that meet the definition of an employee under IFRS are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(j) Interest Income

Interest income is recognized on a time-proportion basis using the effective interest rate method.

(k) Taxation

(i) Current Tax

Income tax expense, if any, represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. To the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences can be utilized, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (continued)

(ii) Deferred Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(l) (Loss) Per Share

Basic (loss) per share is calculated by dividing (loss) attributable to common shares by the weighted average number of shares outstanding during the period.

Diluted (loss) per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options, warrants and convertible security. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options, warrants and convertible security with exercise prices below the average market price for the year.

For the years ended October 31, 2014 and 2013 all outstanding options, warrants and convertible security were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

(m) Financial Instruments

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; or
- available-for-sale investments.

Financial liabilities are classified into the following categories at their initial recognition:

- financial liabilities at fair value through profit or loss; or
- other financial liabilities.

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial Instruments (continued)

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

Financial liabilities measured at fair value through profit or loss are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company; or
- when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations are discharged, cancelled, or expire.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of all financial assets is reduced by any impairment loss, with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in the statement of operations.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Compound Financial Instruments (Convertible Security)

Compound financial instruments issued by the Company comprise convertible securities that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4. ACCOUNTING CHANGES

Changes in Accounting Policies

The Company has adopted the following new 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 is a new standard which 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. The adoption of this standard did not result in any significant 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.

4. ACCOUNTING CHANGES (Continued)

Recent Accounting Pronouncements (continued)

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.

IFRS 13 – Fair Value Measurement ("IFRS 13") 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 amendment is effective for annual periods beginning on or after July 1, 2014.

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. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

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 amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

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 amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

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 amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

(expressed in Canadian dollars)

5. CASH AND CASH EQUIVALENTS

	October 31, 2014 $	October 31, 2013 $
Cash in accounts at Canadian chartered banks	755,663	550,402
Cash in Guaranteed Investment Certificates issued by a Canadian chartered bank	-	527,028
	755,663	1,077,430

6. AMOUNTS RECEIVABLE

	October 31, 2014 $	October 31, 2013 $
GST input tax credit	3,267	9,523

7. PREPAID EXPENSES

	October 31, 2014 $	October 31, 2013 $
Current portion of prepaid expenses:		
Insurance premiums	19,166	18,760
Deposit for future conference	3,913	-
Financing costs (Note 15(b))	158,471	158,471
	181,550	177,231
Long term portion of prepaid expenses:		
Financing costs (Note 15(b))	66,035	224,503

The prepaid financing costs are charged to share issue costs over the term of the SPA (Note 12) on a straight-line basis.

8. 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.

On July 6, 2011, the Company announced that it had signed an option agreement with Latin American Minerals Inc. (“LAT”) (TSXV:LAT) and certain of its Paraguayan subsidiaries to explore the Itapoty Diamond Project located in central Paraguay, South America. Pursuant to subsequent exploration activities, Olivut determined that additional expenditures on this project were not justified and terminated the option agreement effective September 6, 2013. As a result, the Company has no further interest in this project, but remains responsible for any environmental or other liabilities arising from work performed by the Company. The Company believes there are no such liabilities outstanding.

(expressed in Canadian dollars)

8. MINERAL PROPERTY AND EXPLORATION EXPENDITURES (Continued)

During the year ended October 31, 2014, the Company incurred $160,889 (2013 - $450,120) on exploration expenditures. Cumulative exploration expenditures made by the Company as at October 31, 2014 total $15,570,975 (at October 31, 2013 - $15,410,086). This cumulative total represents $14,621,887 spent on the HOAM Project (October 31, 2013 – $14,460,998) and $949,088 spent on other projects where the Company's interests have been terminated (October 31, 2013 - $949,088).

9. EQUIPMENT

	October 31, 2014			October 31, 2013		
	Cost $	Accumulated Amortization $	Net $	Cost $	Accumulated Amortization $	Net $
Drill rig	91,288	49,880	41,408	91,288	38,706	52,582
Office equipment	-	-	-	11,951	10,638	1,313
Computer equipment	-	-	-	17,316	16,971	345
	91,288	49,880	41,408	120,555	66,315	54,240

10. 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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2014 $	October 31, 2013 $
Corporate payables and accrued liabilities (Note 13)	122,715	72,012
Exploration expense payables	3,925	26,317
	126,640	98,329

12. CONVERTIBLE SECURITY

On March 12, 2013, the Company entered into a Securities Purchase Agreement (the "SPA") that could raise, depending on market conditions and other factors, up to $18 million over approximately the following 36 months in a tranched 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 that may be converted into 689,655 units (each a "Unit") (the first 500,000 Units issued shall be comprised of one common share and one warrant as further described below, and the remaining Units issued shall be exercisable for one common share) and (ii) $200,000 to purchase common shares (Note 15(b)).

(expressed in Canadian dollars)

12. CONVERTIBLE SECURITY (Continued)

The convertible security has a term of 36 months with a 0% interest rate and is unsecured and subordinated. Lind has the right to call the security or convert the security into Units at any time. On April 28, 2014, Lind elected to redeem $150,000 of the convertible security, which was paid to Lind by the Company on April 29, 2014. Also see Note 20.

Each warrant that may be issued pursuant to the remaining $150,000 convertible security entitles the holder to purchase one common share at $0.5957 per share until March 13, 2016. On March 13, 2014 all such warrants vested.

In accordance with IFRS, the convertible security has been bifurcated into a liability component and an equity component. The equity component represents 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 has 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 is subject to significant management estimation.

Convertible security, upon issuance and October 31, 2013	$300,000
Redemption of security April 29, 2014	(150,000)
Convertible security, October 31, 2014	$150,000

Bifurcated as follows:

Equity component, upon issuance and October 31, 2013	$133,048
Equity component redeemed	(66,524)
Equity component, October 31, 2014	$ 66,524

Estimated fair value of liability component, upon issuance	$166,952
Accretion to October 31, 2013	22,077
Liability component, October 31, 2013	189,029
Accretion to October 31, 2014	30,056
Liability component redeemed	(104,202)
Liability component, October 31, 2014	$114,883

(expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

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

	Years ended October 31	
	2014	**2013**
	$	$
Salaries	220,000	223,603
Short term benefits	31,280	59,780
Stock-option amortization expense	103,697	1,644,968
Total remuneration	354,977	1,928,351

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 years ended October 31, 2014 and 2013. Independent non-executive directors are not remunerated other than the benefits received, if any, from the granting of stock options.

In addition to salaries and benefits, during the year ended October 31, 2014, a total of $6,000 (2013 - $18,500) for exploration consulting expenditures, and $9,600 (2013 - $9,600) 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 December 12, 2012 private placement (see Note 15(b)), 25,000 flow-through shares were sold to an officer and director of the Company.

In connection with the October 15, 2014 private placement (see Note 15(b)), 220,000 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	
	October 31, 2014	**October 31, 2013**
	$	$
Officers and directors	23,955	29,015

These amounts are unsecured and non-interest bearing with no fixed terms of repayment.

(expressed in Canadian dollars)

14. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 25% (2013 – 25%) are as follows:

	2014 $	2013 $
Loss before income taxes	(723,835)	(2,775,425)
Expected income tax (benefit) based on statutory rates	(181,000)	(694,000)
Adjustments to benefit resulting from:		
Stock-based compensation	29,000	456,000
Flow-through renunciation	3,000	(21,210)
Other	(1,000)	44,000
Change in benefit of tax assets not recognized	150,000	116,000
Income tax expense (recovery)	-	(99,210)

b) Deductible Temporary Differences

The temporary differences that give rise to deferred income tax assets that have not been recognized at October 31 are as follows:

	2014 $	2013 $
Non-capital losses	1,481,000	1,436,000
Equipment	70,000	57,000
Share issue costs	249,000	155,000
Exploration properties	12,336,000	11,734,000
Total	14,136,000	13,382,000

(expressed in Canadian dollars)

14. INCOME TAXES (Continued)

c) Tax Loss Carry-Forwards

As at October 31, 2014, the Company had approximately $11,387,000 of Canadian Exploration Expenditures and $949,000 of cumulative foreign resources expenses, which, under certain circumstances, may be utilized to reduce taxable income of future years. Also, as at October 31, 2014, the Company had approximately $1,481,000 of non-capital losses in Canada, which, under certain circumstances, may be utilized to reduce taxable income in future years. These non-capital losses expire as follows:

Year of Expiry	Amount
2024	$ 145,000
2025	258,000
2026	283,000
2027	132,000
2028	132,000
2029	121,000
2030	111,000
2031	110,000
2032	20,000
2033	119,000
2034	50,000
	$1,481,000

In addition, as at October 31, 2014, the Company had approximately $319,000 of federal input tax credits, which, under certain circumstances, may be utilized to reduce federal income taxes in future years.

15. CAPITAL STOCK

The capital stock is as follows:

a) Authorized

Unlimited number of common shares without par value

(expressed in Canadian dollars)

15. CAPITAL STOCK (Continued)

b) Issued

38,154,735 common shares

A summary of changes during the years ended October 31, 2013 and 2014 are as follows:

	Common Shares #	Amount $
Balance, October 31, 2012	33,927,382	16,733,645
Private placement of common shares	342,105	325,000
Share issue costs	-	(154,895)
Premium for flow-through tax benefits	-	(99,210)
SPA commitment fee	505,944	200,000
SPA tranches	1,244,716	332,873
Balance, October 31, 2013	36,020,147	17,337,413
SPA tranches	589,588	100,000
Private placement of common shares	1,545,000	330,000
Premium for flow-through tax benefits	-	(21,000)
Share issue costs	-	(199,764)
Redemption of convertible security	-	20,726
Balance, October 31, 2014	38,154,735	17,567,375

On December 12, 2012, the Company issued a total of 342,105 common shares through a non-brokered private placement for aggregate gross proceeds of $325,000. The private placement comprised the issue of 342,105 flow-through shares to the investors at a price of $0.95 per share.

On March 12, 2013, the Company entered into the SPA which, in addition to the convertible security described in Note 12, provides that over approximately 36 months following the initial investment made on March 13, 2013 Lind could invest up to $17,700,000 in a tranched placement of common shares. The SPA provides that the initial cash advance of $200,000 on March 13, 2013 to purchase common shares is intended to be followed by up to an additional $200,000 approximately every month over the following 35 months. Individual monthly tranches may be increased to a maximum of $500,000 upon mutual agreement between the Company and Lind and may be less than $200,000 after the initial cash advance if any single tranche exceeds 0.55% of the Company's market capitalization (the "Market Capitalization Test").

The number of common shares of the Company to be issued for each tranche will be calculated based on a price per common share equal to 92.5% of the Daily Volume Weighted Average Price ("VWAP") per common share on the TSXV for the 5 days chosen by Lind out of the 20 trading days preceding such issuance date (the "Purchase Price"), provided such price will not be less than the higher of (i) the closing price per common share or (ii) the volume-weighted average price per common share, on the TSXV on the trading day immediately preceding the relevant cash advance date, in either case, less the maximum permitted discount under TSXV regulations (the "Set Floor Price"). The share issuance date for each tranche is 28 days after the funds are received.

(expressed in Canadian dollars)

15. CAPITAL STOCK (Continued)

b) Issued (Continued)

Should the Purchase Price be below the Set Floor Price, Lind may elect to not take shares and instead have the tranche amount previously advanced repaid without penalty. The Company may elect to offset the repayment against the next tranche.

If the market price is below $0.325 for two consecutive days Lind may postpone subsequent advances by up to two months.

The SPA includes explicit no-shorting provisions. Lind, its affiliates, associates and insiders will not: sell Olivut shares that it does not hold in its inventory and that it does not own outright; pre-sell shares that it expects to receive or has contracted to receive, where such shares have not yet been issued and delivered to it; borrow shares to be sold; or borrow shares to cover a short position, The SPA also includes a floor price which enables Olivut to refuse to issue stock below $0.40 and the option for Olivut to terminate the SPA at any time, subject to compliance with the terms of the SPA.

As part of the financing, Lind received a commitment fee of $200,000 which was paid by issuing Lind 505,944 common shares of the Company.

During the years ended October 31, 2014 and 2013 the following tranche share issuances were made to Lind under the terms of the SPA:

Date	Amount	Price per share	Shares
	$	$	#
May 10, 2013	200,000	0.2807	712,504
June 11, 2013	68,373 (1)	0.2700	253,233
July 11, 2013	64,500 (1)	0.2312	278,979
Total to October 31, 2013	332,873		1,244,716
January 13, 2014	52,000 (1)	0.1741	298,679
June 17, 2014	48,000 (1)	0.1650	290,909
Total to October 31, 2014	432,873		1,834,304

Note 1. The tranche amounts were limited by the Market Capitalization Test.

On January 13, 2014, 298,679 common shares were issued to settle the $52,000 securities purchase agreement advance at October 31, 2013.

In addition to these tranche financings settled with common share issuances, $42,500 was received by the Company on August 18, 2014 as an advance pursuant to that month's SPA tranche financing. No common shares have been issued in respect of this tranche by October 31, 2014.

On September 30, 2014 Lind elected to pause additional cash advances and the related tranche securities issuance.

(expressed in Canadian dollars) Page 22 of 26

15. CAPITAL STOCK (Continued)

b) Issued (Continued)

In the year ended October 31, 2014, a total of $158,468 (2013 - $93,189) prepaid financing costs were charged to share issue costs (Note 7).

Copies of the qualifying base shelf prospectus 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.

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.

16. EQUITY RESERVES

Stock options	Number of Options #	Weighted Average Exercise Price $	Estimated Grant Date Fair Value of Options $
October 31, 2012	3,270,000	1.158	1,671,731
Expired	(125,000)	0.850	(80,000)
Stock-option amortization expense	-	-	1,823,485
October 31, 2013	3,145,000	1.171	3,415,216
Stock-option amortization expense	-	-	114,734
October 31, 2014	3,145,000	1.171	3,529,950

The Company's stock option plan (the "Plan") provides for the granting of stock options to independent directors (who receive no other compensation from the Company), officers, employees and consultants of the Company. Stock 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.

(expressed in Canadian dollars)

16. EQUITY RESERVES (Continued)

The following is a summary of stock options outstanding at October 31, 2014:

Expiry Date	Outstanding Stock Options #	Exercisable Stock Options #	Estimated Grant Date Fair Value $	Exercise Price $
December 9, 2014 (Note 20)	565,000	565,000	79,100	0.165
April 19, 2015	35,000	35,000	9,100	0.300
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
Total, October 31, 2014	3,145,000	3,145,000	3,529,950	

The fair value attributed to the options when granted is charged to stock-option amortization expense and added to equity reserves over the period the options vest. $114,734 was charged to stock-option amortization expense during the year ended October 31, 2014 (2013 - $1,823,485).

The weighted average remaining contractual life of options as of October 31, 2014 is 5.8 years (October 31, 2013 – 7.1 years). The weighted average exercise price of options exercisable as at October 31, 2014 is $1.17 (October 31, 2013 - $1.09).

17. 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 15(b)), the Company expects to renounce $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 October 31, 2014, the Company has expended $23,335 of this amount on qualified exploration expenditures. The amount remaining to be expended is $81,665.

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.

(expressed in Canadian dollars)

17. 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	2,822
2016	2,822
2017	1,411
	7,055

18. 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 the convertible security, 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 years ended October 31, 2014 or 2013. The Company is not subject to externally imposed capital requirements.

19. FINANCIAL RISK FACTORS

There were no changes in the years ended October 31, 2014 or 2013 that occurred that were attributed to financial risk. The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

a) 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 and guaranteed investment certificates issued by a Canadian chartered bank. The loan receivable as described in Note 10 is secured by all assets of the borrower. Management believes that the credit risk with respect to these financial instruments is remote.

19. FINANCIAL RISK FACTORS (Continued)

b) 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 October 31, 2014, the Company had a cash balance of $755,663 to settle accounts payable and accrued liabilities of $126,640, the callable convertible security of $150,000 (Notes 12 and 20), the possible repayment of the SPA advance of $42,500 (Note 15(b)) and the commitment to fund the remaining balance of the qualified exploration expenses of $81,665 (Note 17 (c)). 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, and the proceeds of the SPA described in Note 15(b), 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 next year to enable the Company to continue 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.

c) Market Risk

(i) *Interest Rate Risk*

The Company's current policy is to invest its cash and cash equivalents balances in investment-grade short-term guaranteed investment certificates issued by 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 as investments are short-term, the loan receivable is at a fixed interest rate, the convertible security bears a 0% 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.

(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.

19. FINANCIAL RISK FACTORS (Continued)

d) Fair Value

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, the liability component of the convertible security and 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 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.

Management has estimated the value of the liability component of the convertible security using the effective interest rate method and using an interest rate of 20%. It is not possible to determine if this portion of the convertible security is at fair value as there is no comparable market value for such convertible security.

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 as investments in guaranteed investment certificates are short-term; the loan receivable (Note 10) 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 cash and cash equivalents held by the Company as at October 31, 2014, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately $7,500 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.

20. SUBSEQUENT EVENT

On November 15, 2014, the Company repaid the $150,000 remaining balance of the convertible security, upon demand by Lind, in accordance with the terms of the SPA.

On December 9, 2014, 100,000 options to purchase common shares at $0.165 per share were exercised for total proceeds of $16,500 and 465,000 options expired unexercised.