



## OLIVUT RESOURCES LTD.

### NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual and Special General Meeting (the “**Meeting**”) of holders of common shares of Olivut Resources Ltd. (the “**Company**”) will be held on February 12, 2014, at 10:30 a.m. (EST) at the offices of Stikeman Elliott LLP, 53<sup>rd</sup> Floor, Commerce Court West, 199 Bay Street, Toronto, Canada for the following purposes:

1. To receive the audited Financial Statements of the Company as at and for the Years Ended October 31, 2013 and 2012;
2. To elect the directors of the Company;
3. To appoint McGovern, Hurley, Cunningham, LLP, as the auditor of the Company and to authorize the directors to fix the remuneration to be paid to the auditor; and
4. To approve the Amended and Restated Share Option Plan

The resolutions referenced above are more particularly described in the accompanying Management Information Circular (the “**Proxy Circular**”).

Shareholders are requested to date, sign and return the enclosed form of proxy. Shareholders may also complete the form of proxy by telephone or the Internet by following the instructions provided on the proxy form. All completed proxies must be received by the Company’s transfer agent, Computershare Investor Services, before 10:30 a.m. (EST) on February 10, 2014 or if the Meeting is adjourned, at least two business days preceding the date of any adjournment of the Meeting. If returning by mail, shareholders should use the enclosed stamped and self-addressed envelope and mail to Computershare Investor Services, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1. If returning by fax, shareholders should use 1-866-249-7775.

DATED at Toronto, this 7<sup>th</sup> day of January, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in blue ink, reading "Leni F. Keough".

Leni F. Keough  
*President and Chief Executive Officer*

**Whether or not you expect to attend the Meeting in person, please complete, date, sign and return the accompanying form of proxy at your earliest convenience. The accompanying Proxy Circular provides further information respecting proxies and the matters to be considered at the Meeting and is deemed to form part of this Notice.**





## **MANAGEMENT INFORMATION CIRCULAR**

**January 7, 2014**



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## **MANAGEMENT INFORMATION CIRCULAR**

### **DATE, TIME AND PLACE OF MEETING**

This Management Information Circular is furnished in connection with the solicitation by management of Olivut Resources Ltd. (the "Company" or "Olivut") of proxies to be used at the Annual and Special General Meeting (the "Meeting") of shareholders of the Company ("Shareholders") to be held on February 12, 2014, at 10:30 a.m. (EST) at the offices of Stikeman Elliott LLP, 53<sup>rd</sup> Floor, Commerce Court West, 199 Bay Street, Toronto, Canada.

### **INFORMATION CONCERNING THE MEETING**

#### **Solicitation of Proxies**

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by employees of the Company at nominal cost. Employees will not receive any extra compensation for such activities. The total cost of this solicitation will be borne by the Company. The Company has arranged for intermediaries to forward the Notice of Meeting, this Proxy Circular and the form of proxy for use in connection with the Meeting (collectively, the "**Meeting Materials**") to beneficial owners of the common shares of the Company ("**Common Shares**") held of record by those intermediaries and the Company may reimburse the intermediaries for their reasonable fees and disbursement in that regard.

#### **Appointment of Proxies**

The persons named in the enclosed form of proxy are officers and/or directors of the Company. A Shareholder has the right to appoint a person or company, who need not be a Shareholder, other than the person or company designated in the applicable form of proxy accompanying this Proxy Circular, as nominee to attend and act for and on behalf of such person at the Meeting and may exercise such right by inserting the name of such person in the blank space provided on the form of proxy or by executing a proxy in a form similar to the one enclosed.

#### **Deposit of Proxies**

Shareholders who do not expect to attend the Meeting in person are requested to complete, sign, date and return the enclosed form of proxy. An undated but executed proxy will be deemed to be dated the date of this Proxy Circular. Completed proxies returned either by mail or by fax to the office of the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), must be received before 10:30 a.m. (EST) on February 10, 2014 or if the Meeting is adjourned, at least two business days preceding the date of any adjournment of the Meeting. If submitting by mail, shareholders should use the stamped self-addressed envelope enclosed or mail to Computershare Investor Services Inc., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1. If submitting by fax, Shareholders should use 1-866-249-7775.

## **Telephone**

The option to submit a proxy by telephone is offered only in Canada and in the United States. Shareholders electing to submit a proxy by telephone require a touchtone telephone. The telephone number to call is 1-866-732-8683. Shareholders must follow the instructions, use the form of proxy received from the Company and provide the I.D. and Code numbers which are located beside the Shareholder's name on the proxy form on the lower left-hand side. Instructions are then conveyed by use of the touchtone selections over the telephone.

## **Internet**

Shareholders electing to submit a proxy over the Internet must access the website: [www.investorvote.com](http://www.investorvote.com). Shareholders must then follow the instructions and refer to the proxy form received from the Company which contains the I.D. and Code numbers. Voting instructions are then conveyed electronically to the shareholder over the Internet.

## **Non-Registered Shareholders**

Only registered Shareholders at January 8, 2014 ("**Registered Shareholders**"), or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "**Non-Registered Shareholder**") are registered either:

1. in the name of an intermediary with which a Non-Registered Shareholder may deal, including banks, trust companies, securities dealers or brokers and trustees or administrators of registered retirement savings plans, registered retirement income funds, registered education savings plans (all as defined in the *Income Tax Act* (Canada)) and similar plans, and their nominees (an "**Intermediary**"); or
2. in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

The Company has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries very often call on service companies to forward meeting materials to non-registered holders. Non-Registered Shareholders who have not waived the right to receive Meeting Materials will:

1. receive a form of proxy which has already been signed by the Intermediary (usually by facsimile) which indicates the number of Common Shares beneficially owned by the Non-Registered Shareholders but which has not been completed. This form of proxy need not be signed by the Non-Registered Shareholder. In this case, the Non-Registered Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Computershare Investor Services in the manner described above; or more typically, receive a voting instruction form from an Intermediary which must be completed and signed by the Non-Registered Shareholder in accordance with the directions on the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by telephone); or
2. receive a proxy form as described in the next paragraph.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Solutions, Canada ("**Broadridge**"). Broadridge typically mails a voting instruction form to the non-registered shareholders and asks such non-registered holders to return such voting



instruction form to Broadridge (the Broadridge form also allows completion of the voting instruction form by telephone or via the internet). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a shareholders' meeting. A Non-Registered Shareholder receiving a voting instruction form from Broadridge cannot use that voting instruction form to vote shares directly at the Meeting, the voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the shares voted.

The purpose of these procedures is to allow Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives either a form of proxy or a voting instruction form wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on that form. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies to ensure that their Common Shares are voted at the Meeting.

Alternatively, a Non-Registered Shareholder may request in writing that their broker send them a legal proxy which would enable them, or a person designated by them, to attend the Meeting and vote their Common Shares.

#### **Exercise of Vote by Proxies and Discretionary Authority**

The Common Shares, represented by properly executed proxies given in favour of the persons designated in the printed portion of the accompanying form of proxy at the Meeting, will be voted for, against or withheld from voting in accordance with the instructions contained therein, so long as such instructions are certain, on any ballot that may be called. **If no choice is specified in the proxy, such shares will be voted FOR each of the matters proposed by management at the Meeting and described in the Notice of the Meeting.**

The form of proxy accompanying this Proxy Circular confers discretionary authority upon the nominees named therein with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. Management of the Company knows of no matters to come before the Meeting, other than those referred to in the Notice of Meeting. However, if any other matters which are not now known to management of the Company should properly come before the Meeting, the shares represented by proxies given in favour of management nominees will be voted on such matters in accordance with the best judgment of the nominee.

#### **Revocation of Proxies**

A Registered Shareholder may revoke a proxy by: (a) completing and signing a proxy bearing a later date and depositing it with Computershare within the same time periods in advance of the Meeting as set forth above under "Deposit of Proxies"; (b) depositing an instrument in writing executed by the holder or by his attorney authorized in writing or, if the holder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, indicating the capacity under which such officer or attorney is signing, either at the registered office of the Company at any time up to and including 10:30 a.m. EST, on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the applicable Meeting on the day of such Meeting, or any adjournment thereof; or (c) in any other manner permitted by law. A Non-Registered Shareholder may revoke a voting instruction form and a vote given to an Intermediary at any time by written notice, except that an

Intermediary is not required to act on a revocation of a voting instruction form or to vote if such revocation is not received at least seven days prior to the Meeting.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

### **Voting Securities**

As of January 7, 2014, 36,020,147 Common Shares were outstanding, each carrying the right to one vote on matters at the Meeting.

Shareholders of record as at the close of business on January 8, 2014 (the “**Record Date**”) are entitled to vote at the Meeting.

To the knowledge of management, as of the date of this Proxy Circular, no person beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying 10% or more of the voting rights attached to the Common Shares other than Pierre Lassonde, who owns or control an aggregate of 6,025,571 Common Shares or approximately 16.7% of all the issued and outstanding Common Shares.

### **Quorum**

A quorum for the meeting consists of two holders of the Common Shares entitled to vote at a meeting, whether present in person or by proxy, irrespective of the number of persons actually present at the meeting.

## **BUSINESS OF THE MEETING**

### **1. TO RECEIVE THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE FINANCIAL YEARS ENDED OCTOBER 31, 2013 AND 2012**

The Audited Financial Statements as at and for the Fiscal Years Ended October 31, 2013 and 2012 and the Management’s Discussion and Analysis for the year ended October 31, 2013, were filed on SEDAR on December 16, 2013 and are attached hereto as Schedules A and B respectively.

### **2. TO ELECT THE DIRECTORS OF THE COMPANY**

The articles of the Company provide that the number of directors shall be a minimum of three (3) and a maximum of ten (10). Pursuant to subsection 125(3) of the *Business Corporations Act* (Ontario), the shareholders have empowered the directors of the Company to determine the number of directors within the minimum and maximum number of directors. The directors have resolved to fix the number of directors at four (4) who are to be elected, by a majority of the votes cast at the Meeting. Each Director will hold office until the next Annual Meeting of Shareholders or until a successor is elected or appointed. The information concerning each of the Nominees for Director given below was provided, in part, by the individual nominees.

## Director Nominees

**In the absence of a specification to the contrary in the form of proxy, the persons named in the form of proxy intend to vote FOR election as directors the 4 proposed nominees of management whose names are set forth in the table below.** Management does not contemplate that any of the nominees will be unable to serve as a director, but, if such should be the case at the time of the Meeting, the persons whose names are printed in the form of proxy, in the absence of a specification to the contrary in the form of proxy, intend to vote for such other nominees as in their best judgment they deem advisable. Unless otherwise indicated, the occupation noted has been their principal occupation for the past five years.

**Table 1: Director Nominees**

Name and Municipality of Residence	Present Office	Principal Occupation if Different from Office Held	Director Since <sup>(1)</sup>	Stock Options Held	Common Shares Beneficially Owned or Over Which Control is Exercised <sup>(2)</sup>
Leni F. Keough Alberta, Canada	Director, President and Chief Executive Officer		January 8, 2007	1,562,500	2,006,071
Sharon E. Dowdall <sup>(3)(4)(5)</sup> Ontario, Canada	Director and Chairman	Consultant, Franco-Nevada Corporation	January 8, 2007	457,500	150,000
Craig O. Reith <sup>(3)(4)(6)</sup> Ontario, Canada	Director	Consultant	January 8, 2007	352,500	60,000
Sargent H. Berner <sup>(3)(4)</sup> British Columbia, Canada	Director	President, Kent Avenue Consulting Ltd.; public company director; corporate and securities lawyer until 2006; Partner, DuMoulin Black, LLP until 2004	August 6, 2003	237,500	62,320

**Notes:**

- (1) Each Director holds office until the next Annual Meeting of Shareholders or until a successor is elected or appointed.
- (2) Based on information provided by the individuals as at January 7, 2014.
- (3) Member of the Company's Audit Committee.
- (4) Member of the Company's Compensation and Corporate Governance Committee.
- (5) Ms. Dowdall was the Chief Legal Officer of Franco-Nevada Corporation prior to May 2010. From May 2010 to May 2011 she was Vice President, Special Projects for Franco-Nevada Corporation.
- (6) Mr. Reith was Vice President, Finance and Treasurer of Four Seasons Hotels Inc. prior to January 2008.

**Leni F. Keough, HBSc, P.Geo.**, is currently a director of the Company. Ms. Keough is a graduate of the University of Western Ontario, London (BSc. Honours Geology, 1986). Initially she worked with Lacana Mining Corporation and subsequently Royex Corporation and Corona Corporation. She was involved in the early stages of the diamond exploration boom in Canada and was responsible for the planning and implementation of a number of successful diamond programs undertaken throughout Canada. As a founding principal of the Company, she has been President of Olivut since its inception in 1993 and has been responsible for the exploration programs undertaken by Olivut. Ms. Keough devotes 100% of her time to the business of the Company.

**Sharon E. Dowdall, BA, LLB** is currently a director of the Company. Ms. Dowdall is a graduate of the University of Calgary (B.A. Honours Economics, 1974) and Osgoode Hall, York University (LLB, 1977). From May 2010 to May 2011 she was Vice President, Special Projects for Franco-Nevada Corporation. From December 2007 until May 2010 she was the Chief Legal Officer of Franco-Nevada Corporation. From 2002 to December 2007 she was the Vice President and Secretary of Newmont Mining Corporation of Canada Limited ("NMC") and Newmont Capital Limited, each subsidiaries of Newmont Mining Corporation. Prior to joining Franco-Nevada, the predecessor of NMC, in 1999, Ms. Dowdall was a partner at Smith Lyons

LLP. Ms. Dowdall also serves as a director of Foran Mining Corporation and NovaGold Resources Inc. and devotes approximately 5% of her time to the business of the Company.

**Craig O. Reith, HBA, CPA, CA** is currently a director of the Company. Mr. Reith is a graduate of the Ivey Business School, University of Western Ontario, London. He subsequently received his Chartered Accountant designation while working with KPMG. Until January 2008 he was Vice President Finance and Treasurer at the Corporate Head Office of Four Seasons Hotels Inc. where he had been employed for over 20 years in various financial capacities. Mr. Reith devotes approximately 5% of his time to the business of the Company.

**Sargent H. Berner BA, LLB, LLM** is currently a director of the Company. Mr. Berner is also the President of Kent Avenue Consulting Ltd. and serves as a director of and advisor to a number of other public companies. He was formerly a senior partner of DuMoulin Black LLP, a Vancouver law firm, where he practiced in the areas of corporate, securities, and natural resource law. Mr. Berner holds a B.A. and LLB from the University of British Columbia and a LLM from the London School of Economics. Mr. Berner devotes approximately 5% of his time to the business of the Company.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Except as noted below, to Olivut's knowledge, no director or executive officer of Olivut is or has been in the last 10 years a director, chief executive officer or chief financial officer of any company that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of the foregoing, "order" means (i) a cease trade order, (ii) an order similar to a cease trade order, or (iii) an order that denied the relevant company access to any exemption under securities legislation, which was in effect for a period of more than 30 consecutive days.

Sargent H. Berner is a director of ValGold Resources Ltd. ValGold Resources Ltd. was subject to a management cease trade order in December of 2008 and a subsequent cease trade order in December of 2009, both of which were issued for failure to file financial statements within the statutory time limits. Both orders were lifted upon filing the required statements in January, 2009 and December, 2009 respectively.

To Olivut's knowledge, no director or executive officer of Olivut, or a shareholder holding a sufficient number of securities of Olivut to affect materially the control of Olivut: (a) is or has been in the last 10 years a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has in the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To Olivut's knowledge, no director or executive officer of Olivut, or a shareholder holding a sufficient number of securities of Olivut to affect materially the control of Olivut, has been the subject of: (a) any

penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**3. TO APPOINT MCGOVERN, HURLEY, CUNNINGHAM, LLP, AS THE AUDITOR OF THE COMPANY AND TO AUTHORIZE THE DIRECTORS TO FIX THE REMUNERATION TO BE PAID TO THE AUDITOR**

**In the absence of a specification made in the form of proxy to the contrary, the persons named in the form of proxy intend to vote FOR the resolution re-appointing McGovern, Hurley, Cunningham, LLP, as the auditor of the Company and authorizing the Board of Directors to fix its remuneration.** McGovern, Hurley, Cunningham, LLP, was first appointed as auditor on January 8, 2007. The auditor will hold office until the next Annual and Special Meeting or until its successor is appointed.

**Audit Committee and Relationship with Auditor**

National Instrument 52-110 of the Canadian Securities Administrators (“CSA”) (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

**The Audit Committee’s Charter**

The Audit Committee has a Charter. A copy of the Audit Committee Charter is appended to the Annual Information Form for the Fiscal Year Ended October 31, 2013 as Appendix “B” which was filed on SEDAR December 16, 2013. It may be viewed at [www.sedar.com](http://www.sedar.com) and upon request is available from the Secretary of the Company free of charge to any security holders of the Company by calling (780) 866-2226.

**Composition of the Audit Committee**

The Audit Committee is comprised exclusively of outside directors and all members are independent and financially literate within the meaning of the applicable securities law. Currently, the three members of the Audit Committee are Craig O. Reith (acting as Chair), Sharon E. Dowdall and Sargent H. Berner.

A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A “**Material Relationship**” means a relationship which could, in the view of the Company’s Board of Directors (“**Board of Directors**”), reasonably interfere with the exercise of a member’s independent judgement.

A member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company.

**Relevant Education and Experience**

Mr. Reith, Ms. Dowdall and Mr. Berner, are independent of the Company and financially literate within the meaning of applicable Canadian securities laws. Mr. Reith has education and experience that is relevant to the performance of his duties as Chair of the Audit Committee, including his Chartered Accountant designations, his experience at KPMG and his responsibilities in various senior financial roles

during the course of more than twenty years at Four Seasons Hotels Inc. Ms. Dowdall is a graduate of the University of Calgary (B.A. Honours Economics, 1974) and Osgoode Hall, York University (LLB, 1977). Mr. Berner holds a B.A. and LLB from the University of British Columbia and a LLM from the London School of Economics.

Each member of the Audit Committee has:

- an understanding of the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising individuals engaged in such activities and
- an understanding of the internal controls and procedures for financial reporting.

### **Audit Committee Oversight of the Auditors**

The Audit Committee has made recommendation to the Board of Directors to nominate and compensate the external auditor. The Company's auditor, McGovern, Hurley, Cunningham, LLP, has not provided any material non-audit services.

### **Reliance on Certain Exemptions**

The Company has not relied on any exemptions under NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has, under the terms of its Charter, adopted specific policies and procedures for the engagement of non-audit services. The Chair of the Audit Committee approves all non-audit services.

### **External Audit Service Fees**

The following are audit fees, audit related fees, tax fees and all other fees billed by the Company's external auditors in each of the last two fiscal years.

**Table 2: External Audit Service Fees**

<b>Nature of Services</b>	<b>Fees Paid to Auditor in Year Ended October 31, 2013</b>	<b>Fees Paid to Auditor in Year Ended October 31, 2012</b>
Audit Fees <sup>(1)</sup>	\$28,700	\$41,214
Audit-Related Fees <sup>(2)</sup>	\$32,100	\$9,486
Other fees <sup>(3)</sup>	\$22,200	\$Nil
Tax Fees <sup>(4)</sup>	\$3,300	\$3,000
<b>Total</b>	<b>\$86,300</b>	<b>\$53,700</b>

Notes:

(1) "Audit Fees" refer to fees billed for audit services.

(2) "Audit-Related Fees" refer to aggregate fees billed for assurance and related services that reasonably relate to the performance of the audit or review of the financial statements and are not reported under Audit Fees.

(3) "Other Fees" refer to aggregate fees billed for a prospectus review.

(4) "Tax Fees" refer to the aggregate fees billed for tax compliance, tax advice, and tax planning.

#### **4. TO APPROVE THE AMENDED AND RESTATED SHARE OPTION PLAN**

The TSX Venture Exchange requires that each listed company have a stock option plan and this plan is ratified on a yearly basis by the shareholders. In compliance with the TSX Venture Exchange policies and to provide incentive to Directors, Officers, Employees, Management and others who provide services to the Company or any subsidiary to act in the best interests of the Company, the Shareholders of the Company adopted the Share Option Plan (the “**Plan**”) in 2004 and approve its continuance at the Company’s Annual and Special Meetings of the Shareholders. The Amended and Restated Plan was approved by shareholders on February 13, 2013 (the “**Amended and Restated Plan**”).

The Company is of the view that the Amended and Restated Plan permits the Company to attract and maintain the services of executives, employees and other service providers in competition with other companies in the industry.

Under the Amended and Restated Plan, a maximum of 10% of the issued and outstanding Common Shares at the time an option is granted, less common shares reserved for issuance outstanding in the Plan, will be reserved for options to be granted at the discretion of the Board of Directors to eligible Optionees. This type of plan is called a “rolling” plan. As of the date of this Information Circular, 3,145,000 options to purchase Common Shares have been granted by the Company and are outstanding.

Under TSX Venture Exchange policy, the Amended and Restated Plan requires Shareholder approval at the Annual and Special Meeting of the Company by ordinary resolution. Management of the Company will ask the Shareholders at the Meeting to vote on the following ordinary resolution, with or without variation:

1. the Amended and Restated Share Option Plan of the Company, substantially in the form attached hereto as Schedule “C”, subject to any such additions, deletions and changes as the TSX Venture Exchange or other regulatory body may deem necessary or advisable, be and it is hereby ratified and approved and confirmed effective; and
2. any officer or director of the Company be, and each of them is, hereby authorized and directed for, in the name of and on behalf of the Company, to execute or to cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered all such deeds, documents and other instruments, and to do or cause to be done all such other acts and things, as in the opinion of any one director or any one officer of the Company may be necessary or desirable in order to give effect to the intent of this resolution.

The Directors of the Company recommend that Shareholders vote in favour of the resolution to approve the Amended and Restated Plan. **In the absence of a specification to the contrary in the form of proxy, the persons named in the form of proxy intend to vote FOR the approval of the Amended and Restated Plan.**

#### **STATEMENT OF EXECUTIVE COMPENSATION**

National Instrument 51-102 – *Continuous Disclosure Obligations* requires the Company to disclose its executive compensation by providing in this Proxy Circular the disclosure required by Form 51-102F6. The disclosure of executive compensation below is being made in accordance with Form 51-102F6.

## Named Executive Officers

For the purposes of this Proxy Circular, a Named Executive Officer (“NEO”) of the Company means each of the following individuals:

- a) the Chief Executive Officer (“CEO”) of the Company;
- b) the Chief Financial Officer (“CFO”) of the Company;
- c) each of the Company’s three most highly compensated Executive Officers, or the three most highly compensated Individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
- d) each Individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

The Company currently has the following two NEOs: Ms. Leni F. Keough, President and Chief Executive Officer, and Mr. Ian A. Shaw, Chief Financial Officer and Secretary.

## Compensation Discussion and Analysis

The Compensation and Corporate Governance Committee of the Company’s Board is responsible for ensuring that the Company has in place an appropriate plan for executive compensation, for making recommendations to the Board, and for evaluating any risks arising with respect to the compensation of the Company’s executive officers. The Compensation and Corporate Governance Committee ensures that total compensation paid to all NEOs is fair and reasonable and is consistent with the Company’s compensation philosophy. The Compensation and Corporate Governance Committee has not retained a compensation consultant or advisor at any time.

The Compensation and Corporate Governance Committee is comprised exclusively of outside Directors and all members are independent within the meaning of the applicable securities law. Currently, the three members of the Compensation and Corporate Governance Committee are Sharon E. Dowdall (acting as Chair), Craig O. Reith and Sargent H. Berner. A member of the Compensation and Corporate Governance Committee is independent if the member has no direct or indirect material relationship with the Company.

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Company’s compensation philosophy is to foster entrepreneurship at all levels of the organization through, among other things, the granting of stock options which are a significant component of executive compensation. This approach is based on the assumption that the performance of the Common Share price over the long term is an important indicator of long term performance.

The Company’s compensation philosophy is based on the following fundamental principles:

1. *Compensation programs align with shareholder interests* – the Company aligns the goals of executives with maximizing long term shareholder value;
2. *Performance sensitive* – compensation for executive officers should be linked to operating performance of the Company and fluctuate with the performance; and



3. *Offer market competitive compensation to attract and retain talent* – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The objectives of the compensation program in compensating all NEOs were developed based on the above-mentioned compensation philosophy and are as follows:

- a) to attract and retain highly qualified Executive Officers;
- b) to align the interests of Executive Officers with Shareholders' interests and with the execution of the Company business strategy;
- c) to evaluate executive performance on the basis of key measurements that correlate to long-term Shareholder value; and
- d) to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

### **Competitive Compensation**

Aggregate compensation for each NEO is designed to be competitive. The Compensation Committee reviews compensation practices of similarly situated companies in determining compensation policy. Although the Compensation Committee reviews each element of compensation for market competitiveness, and it may weigh a particular element more heavily based on the NEO's role within the Company, it is primarily focused on remaining competitive in the market with respect to total compensation.

The Compensation Committee reviews data related to compensation levels and programs of various companies that are similar in size to the Company and operate within the mineral exploration and development industry, prior to making its decisions. The Compensation Committee also relies on the experience of its members as officers and/or directors at other companies in similar lines of business as the Company in assessing compensation levels.

The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish as a basis for developing salary adjustments and short-term and long-term incentive awards for the Compensation Committee's approval.

### **Aligning the Interests of the NEOs with the Interests of the Company's Shareholders**

The Company believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs. The Company's objective is to establish benchmarks and targets for its NEOs which, if achieved, will enhance shareholder value and not expose the Company to inappropriate or excessive risks.

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. For the 2013 financial year, the three basic components of the Executive Officer Compensation Program were:

- base salary
- annual incentives (cash bonus) and
- option based compensation

The base salary comprises a portion of the total cash-based compensation; however, annual incentives and option based compensation represent compensation that is “at risk” and thus may or may not be paid to the respective Executive Officer depending on: (1) whether the Executive Officer is able to meet or exceed his or her applicable performance targets, and (2) market performance of the Company’s Common Shares. To date, no specific formulae have been developed to assign a specific weighting to each of these components. Instead, the board considers each performance target and the Company’s performance and assigns compensation based on this assessment and the recommendations of the Compensation Committee.

### **Base Salary**

The Compensation Committee and the Board approve the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions, compensation levels within the peer group and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. Comparative data for the Company’s peer group is also accumulated from a number of external sources including independent consultants. The Company’s policy for determining salary for Executive Officers is consistent with the administration of salaries for all other Employees.

### **Annual Incentives**

The Company has an Annual Incentive (cash bonus) Plan for the President and CEO (see “Employment Contract and Termination and Change of Control Benefits – *President and Chief Executive Officer*”).

### **Long Term Compensation**

The Company currently has no Long-term Incentive Plans, other than Share Options granted from time to time by the Board under the provisions of the Company’s Share Option Plan.

### **Option-based Awards**

The Compensation Committee and the Board believe that NEOs should have a stake in the Company’s future and that their interests should be aligned with the interests of the shareholders. As such, the Compensation Committee and the Board determine share option grants based on the NEO’s position, performance and potential future contributions to the Company. The previous grants of share options are taken into account when considering new grants.

### **Compensation Summary**

The table below sets forth information concerning the compensation paid, awarded or earned by each of the NEOs for services rendered in all capacities to the Company during the fiscal years ended October 31, 2013, 2012 and 2011.

**Table 3: Compensation Summary**

Name of NEO and Principal Position	Year	Salary (\$)	Share-Based Awards <sup>(1)</sup> (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans <sup>(2)</sup>			
Leni F. Keough, President & CEO <sup>(3)</sup>	2013	220,000	Nil	Nil	Nil <sup>(4)</sup>	Nil	Nil	Nil	220,000
	2012	241,154 <sup>(6)</sup>	Nil	1,973,375	Nil <sup>(4)</sup>	Nil	Nil	Nil	2,214,529
	2011	241,154 <sup>(6)</sup>	Nil	Nil	Nil <sup>(4)</sup>	Nil	Nil	Nil	241,154
Ian A. Shaw, CFO <sup>(5)</sup>	2013	46,500	Nil	Nil	Nil	Nil	Nil	Nil	46,500
	2012	52,000	Nil	27,000	Nil	Nil	Nil	Nil	79,000
	2011	35,000	Nil	Nil	Nil	Nil	Nil	Nil	35,000

Notes:

- (1) The fair value of share and option-based awards is calculated as at the date of grant using the Black-Scholes Option Pricing Model. Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's share and option-based awards.
- (2) "LTIP" or "long term incentive plan" means any plan that provides compensation intended to motivate performance to occur over a period greater than one fiscal year, but does not include share or option-based awards.
- (3) Ms. Keough was appointed at inception of the Company in 1993.
- (4) Ms. Keough was entitled to receive an annual incentive plan (cash bonus) of \$110,000 in accordance with the terms of her compensation plan, but in 2013, 2012 and 2011 she elected to decline the bonus in light of the company's financial position. However, these amounts will be paid to her in the event of a change in control (see "Termination and Change of Control Benefits – President and Chief Executive Officer").
- (5) Mr. Shaw was appointed November 1, 2006.
- (6) This amount includes payment for vacation not taken but it does not include any amount paid as reimbursement for expenses.

## Incentive Plan Awards

### Outstanding Option-Based and Share-based Awards

The following table sets out for each NEO, the incentive share options (option-based awards) and share-based awards outstanding as at January 7, 2014. The closing price of the Company's shares on the TSX-V on January 6, 2014 (the last date the shares traded prior to the approval of this Proxy Circular) was \$0.23.

**Table 4: Outstanding Option-Based and Share-based Awards**

Name	Option-based Awards <sup>(1)</sup>				Share-based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(2)</sup> (\$)	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value of Share-based Awards That Have Not Vested (\$)
Leni F. Keough, President & CEO	100,000 <sup>(3)</sup>	0.165	December 9, 2014	6,500	None	Nil
	1,462,500 <sup>(3)</sup>	1.40	July 26, 2022	Nil	None	Nil
Ian A. Shaw, CFO	50,000 <sup>(3)</sup>	0.165	December 9, 2014	3,250	None	Nil
	20,000 <sup>(3)</sup>	1.40	July 26, 2022	Nil	None	Nil

Notes:

- (1) The Share Option Plan is a "rolling" share option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Share Option Plan will not exceed 10% of the issued Common Shares at the time of grant. As at January 7, 2014, 3,602,014 Common Shares could have been reserved for issuance pursuant to the Share Option Plan and options to purchase 3,145,000 Common Shares had been granted and are outstanding.
- (2) Calculated using the closing price of the Common Shares on the TSX-V on January 6, 2014 (the last date the shares traded prior to the approval of this Management Information Circular) of \$0.23 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.
- (3) These options vest as to one third six (6) months after grant, as to one third twelve (12) months after grant and as to one third eighteen (18) months after grant

### Value Vested or Earned During the Year

The following table sets forth, for each NEO, the value of all incentive plan awards that vested during the year ended October 31, 2013.

**Table 5: Value Vested or Earned During the Year**

Name	Option-based awards- Value vested during the year <sup>(1)</sup> (\$)	Share-based awards- Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation- Value earned during the year <sup>(2)</sup> (\$)
Leni F. Keough, President & CEO	Nil	Nil	Nil
Ian A. Shaw, CFO	Nil	Nil	Nil

Notes:

- (1) Summarizes for each of the NEOs the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended October 31, 2013. As these options were not necessarily exercised, or exercised on such vesting date, by the NEOs, these amounts do not necessarily reflect amounts realized by the NEOs during the year ended October 31, 2013.
- (2) These are the same amounts as disclosed under "Non-Equity Incentive Plan Compensation – Annual Incentive Plans" in the Summary Compensation Table earlier in this Circular.

### Employment Contract and Termination and Change of Control Benefits

#### President and Chief Executive Officer

Effective January 7, 2007, the Company entered into an employment agreement with Ms. Leni F. Keough, President and Chief Executive Officer of the Company, pursuant to which Ms. Keough agreed to perform all of the duties and responsibilities attaching to the offices of President and Chief Executive Officer of a

listed public company and such other duties as may be assigned to her by the Board of Directors of the Company. The employment agreement provides for a base salary of \$220,000 per annum, vacation of 5 weeks per annum and an annual bonus of up to 50% of the base salary upon achievement of personal business goals as set out by the Company's Board of Directors in consultation with Ms. Keough each year. Ms. Keough earned but declined the annual bonus for the fiscal years ended October 31, 2008, 2009, 2011, 2012 and 2013. Ms. Keough is entitled to participate in the Company's share option plan consistent with other members of senior management. The agreement is for an indefinite term. The Company may terminate Ms. Keough for cause without notice or pay in lieu of notice. The employment agreement also terminates in the events of termination without cause, change of control or constructive dismissal (each a "Triggering Event") in which case the Company will immediately pay Ms. Keough a lump sum payment equal to three (3) times the current base salary plus three (3) times the annual bonus earned (whether paid or not) for the most recently completed fiscal year plus all annual bonuses earned but not paid, base salary and vacation pay entitlement earned but not paid out prior to the Triggering Event. Ms. Keough has the right to terminate the employment agreement at any time by giving six (6) months prior written notice of resignation unless the resignation is in connection with a change of control or constructive dismissal in which case Ms. Keough shall only be required to provide two (2) weeks prior written notice. As of the date of this Management Information Circular, the employment agreement with Ms. Keough was in full force and effect.

#### ***Chief Financial Officer***

Effective November 1, 2006, the Company entered into a consulting agreement with Mr. Ian Shaw, Chief Financial Officer and Secretary of the Company, pursuant to which Mr. Shaw agreed to provide services to the Company attaching to the offices of Chief Financial Officer and Secretary of a listed public company subject to approved policies and directions of the Board of Directors of the Company. The employment agreement provides for compensation at the rate of \$1,000 per day with the number of days at the discretion and agreement of the President. Mr. Shaw is entitled to participate in the Company's stock option plan consistent with other members of senior management. The Company may terminate the agreement for cause without notice or pay in lieu of notice. The Company or Mr. Shaw may terminate the agreement at any time by giving ninety (90) days advance written notice. Upon termination without cause or change of control appropriate compensation will be paid which will be approved by the Board of Directors of the Company.

#### **Change of Control Agreements**

The Company has no change of control agreements with executive officers, other than as noted above under "Employment Contract and Termination and Change of Control Benefits – *President and Chief Executive Officer*".

#### **Pension Plan Benefits**

The Company does not have a pension plan or deferred compensation plan.

#### **Directors' and Officers' Liability Insurance**

The Company has a policy of insurance for its Directors and Officers. The aggregate limit of liability under the policy is \$5 million, inclusive of defence costs. Because the policy is subject to aggregate limits of liability, the amount of coverage may be diminished or exhausted by any claims made thereon. Also, continuity of coverage is contingent upon the availability of renewal insurance, or of replacement insurance without a retroactive date to limit coverage for prior wrongful acts.

## Director Compensation

During the fiscal year ended October 31, 2013, no fees were paid to Directors for attending meetings of the Board of Directors, or for the execution of any Resolution of Directors or documents on behalf of the Company. The Directors are entitled to participate in the Company Share Option Plan and are reimbursed for expenses in attending meetings and carrying out their responsibilities as Directors. Independent non-executive directors are not remunerated other than the benefits received, if any, from the granting of stock options.

### Outstanding Option-Based Awards

The following table sets out, for each director, other than Leni F. Keough who is a NEO, the share options (option-based awards) outstanding as at October 31, 2013.

**Table 6: Outstanding Option-Based Awards**

Name	Number of Securities Underlying Unexercised Options <sup>(1)</sup>	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>(2)</sup> (\$)
Sharon E. Dowdall	100,000 <sup>(3)</sup>	0.165	December 9, 2014	6,500
	357,500 <sup>(3)</sup>	1.40	July 26, 2022	Nil
Sargent H. Berner	75,000 <sup>(3)</sup>	0.165	December 9, 2014	4,875
	162,500 <sup>(3)</sup>	1.40	July 26, 2022	Nil
Craig O. Reith	100,000 <sup>(3)</sup>	0.165	December 9, 2014	6,500
	252,500 <sup>(3)</sup>	1.40	July 26, 2022	Nil

Notes:

- (1) The Share Option Plan is a "rolling" share option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Share Option Plan will not exceed 10% of the issued Common Shares at the time of grant. As at January 7, 2014, 3,602,014 Common Shares could have been reserved for issuance pursuant to the Share Option Plan and options to purchase 3,145,000 Common Shares had been granted and are outstanding.
- (2) Calculated using the closing price of the Common Shares on the TSX-V on January 6, 2014 (the last date the shares traded prior to the approval of this Management Information Circular) of \$0.23 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.
- (3) These options vested as to one third six (6) months after grant, as to one third twelve (12) months after grant and as to one third eighteen (18) months after grant.

### Value Vested or Earned During the Year

The following table sets forth, for each director, other than Leni F. Keough, who is a NEO, the value of all incentive plan awards that vested during the financial year ended October 31, 2013.

**Table 7: Value Vested or Earned During the Year**

<b>Name</b>	<b>Option-based awards- Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards-Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Non-equity incentive plan compensation- Value earned during the year (\$)</b>
Sharon E. Dowdall	Nil	Nil	Nil
Sargent H. Berner	Nil	Nil	Nil
Craig O. Reith	Nil	Nil	Nil

Note:

(1) Summarizes for each of the directors who is not a NEO the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended October 31, 2013. As these options were not necessarily exercised, or exercised on such vesting date, by such directors, these amounts do not necessarily reflect amounts realized by such directors during the year ended October 31, 2013.

## Equity Compensation Plan Information

**Table 8: Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Securities to be issued upon exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-average exercise price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities remaining available for future issuance under Equity Compensation Plans</b>
Equity Compensation Plans approved by Security Holders	3,145,000	1.16	457,014
Equity Compensation Plans not approved by Security Holders	Nil	Nil	Nil
<b>Total</b>	<b>3,145,000</b>	<b>1.16</b>	<b>457,014</b>

The only equity compensation plan which the Company has in place is the Share Option Plan which was approved by Shareholders on February 13, 2013, and is subject to regulatory and Shareholder Approval as described under the heading “Business of the Meeting – 4. To Approve the Amended and Restated Share Option Plan”. The Plan provides for the granting of Share Options to Directors, 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 on the TSX Venture Exchange 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 the 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 vesting period. The maximum number of Common Shares that are issuable pursuant to the plan is limited to 10% of the issued and outstanding Common Shares.

## Aggregate Indebtedness

As of the date hereof and during the fiscal period ended October 31, 2013, there was no indebtedness owing to the Company in connection with the purchase of securities or other indebtedness by any current or former Executive Officers, Directors, Employees of the Company.

## **Indebtedness of Directors and Officers**

At no time during the fiscal year ended October 31, 2013, or at any time from October 31, 2013 to the date hereof, was a Director, Executive Officer or Senior Officer of the Company, each proposed nominee for election as a Director, and each associate of any such Director, Officer or proposed nominee indebted to the Company or whose indebtedness to another entity is, or at any time during the fiscal year ended October 31, 2013, or at any time from October 31, 2013 to the date hereof, been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

## **OTHER IMPORTANT INFORMATION**

### **Corporate Governance**

#### ***General***

The Directors consider good corporate governance to be central to the effective and efficient operation of the Company. The business of the Company is supervised by its Board of Directors, directly and through its committees. The CSA require disclosure on an annual basis of the Company's corporate governance practices in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. The Company's corporate governance practices are set out below. The Company is monitoring changes in the corporate governance area, and it intends to seek to adhere to the prevailing regulatory regime in force from time to time and other corporate governance "best practices" where appropriate.

#### ***The Board of Directors***

The Board of Directors complies with all of the CSA Guidelines for Corporate Governance for Director Independence. The relationships of Directors, their spouses, children and others are included in the determination of the extent of each Director's relationship with the Company. Directors are considered to be independent if they have no director or indirect Material Relationship with the Company.

Three of four, or 75%, of the Company's current Directors are independent. The three independent Directors are Sharon E. Dowdall, Sargent H. Berner and Craig O. Reith. The non-independent Director is Leni F. Keough, the President and Chief Executive Officer of the Company.

#### ***Directorship***

Please see the "Director Nominees" table in this Management Proxy Circular for each Director's biography, which includes details of other boards on which the Company's Directors serve, including all public company directorships held by Directors in the last five years.

#### ***Orientation, Continuing Education and Reliance on External Consultants***

The Board of Directors provide new Directors with orientation, commensurate with their previous experience, on the Company's properties, business, technology and industry and on the responsibilities of directors. In the future, as the Company's business develops, the Board of Director Meetings may also include presentations by the Company's Management and Employees to give the Directors additional insight into the Company's business. The Board also relies on highly qualified technical consultants and experts to provide ongoing guidance and direction, including but not limited to their participation in board meetings, for its decisions relating to exploration programs.



### ***Ethical Business Conduct***

The Board of Directors is of the view that the fiduciary duties placed on individual Directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual Director's participation in decisions of the Board of Directors in which the Director has an interest have been sufficient to ensure that the Board of Directors operates independently of Management and in the best interests of the Company. The Company encourages and promotes ethical business conduct. The Board of Directors expects Directors, Officers and Employees of the Company to act ethically at all times.

From time to time, matters may come before the Board of Directors where a Director may have a conflict of interest. If and when such matters arise, that Director will declare him or herself as having a conflict of interest and will not participate in the discussions and any vote on that matter. The Board of Directors also complies with all *Business Corporations Act* (Ontario) requirements with respect to conflicts of interest.

### ***Nomination of Directors***

The Board of Directors considers its size each year when it considers the number of Directors to recommend to the Shareholders for election at the Meeting of Shareholders, taking into account the number required to carry out the Board of Director's duties effectively and to maintain a diversity of views and experience.

The Board of Directors does not have a nominating committee, and these functions are currently performed by the Board of Directors as a whole. Board vacancies are filled by individuals who have expertise suitable for the scope of the Company's operations that complement the experience of the other members of the Board.

### ***Compensation and Corporate Governance Committee***

The Compensation and Corporate Governance Committee has the general mandate to oversee and safeguard the human capital of the Company. It is responsible for reviewing and making recommendations to the Board of Directors with respect to the annual performance and compensation of the directors and the senior executives and evaluating risks in connection with compensation policies. It is also responsible for assisting the Board in fulfilling its corporate governance oversight responsibilities. The Committee has specific responsibilities relating to reviewing the Company's governance framework, activity and disclosure; the composition and performance of the Board and its Committees, and reviewing compliance with the Company's Disclosure Policy and the Company's Code of Conduct.

### ***Other Board Committees***

The Board of Directors has no Committees other than the Audit and Compensation and Corporate Governance Committees described above.

### ***Assessments***

The Board of Directors monitors the adequacy of information given to Directors, communication between the Board of Directors and Management and the strategic direction and processes of the Board of Directors and committees. Annually, the Board of Directors approves Corporate Governance Policies to further strengthen the Company's governance structure. The Company's Compensation and Corporate Governance Committee is responsible for overseeing the annual self-assessment of the effectiveness and contribution of (i) the Board as a whole (ii) each Committee and (iii) each individual

Director. This annual qualitative self-assessment is based on questionnaires tailored to the specific responsibilities of each Committee to which each Director is asked to respond.

The Compensation and Corporate Governance Committee reviews the results of the questionnaires, prepares a summary thereof and will discuss and make recommendations to the Board in respect of specific actions to be taken in order to improve the effectiveness and contribution of the Board or committee as applicable. Once approved by the Board, the applicable terms of reference, stated objectives, procedures and/or guidelines will be updated and implemented.

#### **Interest of Certain Persons or Companies in Matters to be Acted Upon**

No Director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any nominee for election as a Director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of Directors, the appointment of Auditor and as may be set out herein.

#### **Interests of Insiders in Material Transactions**

Directors, Officers or persons or companies related or controlled by them had no interest in any material transactions during the year ended October 31, 2013.

#### **Management Contracts**

There are no management functions of the Company which are to any substantial degree performed by a person or company other than the directors or senior officers of the Company.

### **OTHER BUSINESS**

Management is not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

### **ADDITIONAL INFORMATION**

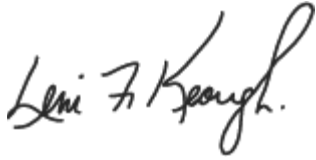
The shares are listed on the TSX Venture Exchange with the trading symbol "OLV".

Copies of the Company's audited Financial Statements as at and for the Years Ended October 31, 2013 and 2012 together with the Report of the Auditors thereon, Management's Discussion and Analysis of the Company's financial condition and results of operations for the year ended October 31, 2013, the interim financial statements of the Company for periods subsequent to the end of the Company's prior fiscal year and this Proxy Circular (and all documents referenced herein) are available upon request from the Secretary of the Company free of charge to any security holder of the Company by calling (780) 866-2226.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the profile "Olivut Resources Ltd." and on the Company's website at [www.olivut.com](http://www.olivut.com).

The undersigned hereby certifies that the contents and the sending of this Proxy Circular have been approved by the directors of the Company.

January 7, 2013

A handwritten signature in black ink, reading "Leni F. Keough." The signature is written in a cursive style with a large, looping initial "L" and a distinct "F" and "K".

Leni F. Keough,  
President and CEO





## **SCHEDULE A**

**AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED**

**OCTOBER 31, 2013 AND 2012**





**OLIVUT RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012**  
**(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, 2013 and 2012, and the statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
December 11, 2013



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

Page 1 of 24

As at:	October 31, 2013 \$	October 31, 2012 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 5)	1,077,430	1,295,854
Amounts receivable (Note 6)	9,523	37,356
Current portion of prepaid expenses (Note 7)	177,231	144,295
Current portion of loan receivable (Note 10)	<u>16,822</u>	<u>16,822</u>
<b>TOTAL CURRENT ASSETS</b>	1,281,006	1,494,327
<b>PREPAID EXPENSES</b> (Note 7)	224,503	-
<b>EQUIPMENT</b> (Note 9)	54,240	67,862
<b>LOAN RECEIVABLE</b> (Note 10)	<u>229,207</u>	<u>229,957</u>
<b>TOTAL ASSETS</b>	<u>1,788,956</u>	<u>1,792,146</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 11)	98,329	226,634
Convertible security (Note 12)	189,029	-
Securities Purchase Agreement advance (Notes 15(b) and 20)	<u>52,000</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>339,358</u>	<u>226,634</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 15(b))	17,337,413	16,733,645
<b>EQUITY COMPONENT OF CONVERTIBLE SECURITY</b> (Note 12)	133,048	-
<b>EQUITY RESERVES</b>		
Stock options (Note 16)	3,415,216	1,671,731
<b>DEFICIT</b>	<u>(19,436,079)</u>	<u>(16,839,864)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>1,449,598</u>	<u>1,565,512</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>1,788,956</u>	<u>1,792,146</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 8,15 and 17)		
<b>GOING CONCERN</b> (Note 1)		

APPROVED ON BEHALF OF THE BOARD:

Signed "Leni Keough", Director

Signed "Craig Reith", Director

See accompanying notes to the financial statements.

OLIVUT RESOURCES LTD.  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(expressed in Canadian dollars)  
FOR THE YEARS ENDED OCTOBER 31

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	2013 \$	2012 \$
Exploration expenses (Notes 8 and 13)	450,120	1,664,624
Administrative and general expenses (Note 13)	520,921	484,303
Stock-option amortization expense (Notes 13 and 16)	1,823,485	1,452,911
Other amortization	<u>13,622</u>	<u>17,053</u>
Loss before the under-noted	(2,808,148)	(3,618,891)
Interest income from financial assets at fair value through profit or loss	15,472	28,239
Interest income from loans and receivables	<u>17,251</u>	<u>17,541</u>
Loss before income taxes	(2,775,425)	(3,573,111)
Deferred income tax recovery (Note 14(a))	<u>99,210</u>	<u>161,880</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>(2,676,215)</u>	<u>(3,411,231)</u>
<b>NET LOSS PER SHARE - basic and diluted</b>	<u>(\$0.08)</u>	<u>(\$0.10)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		
- basic and diluted	<u>35,075,490</u>	<u>33,499,456</u>

See accompanying notes to the financial statements.

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

Page 3 of 24

	2013 \$	2012 \$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss for the year	(2,676,215)	(3,411,231)
Adjustments for charges not involving cash:		
Deferred income tax recovery	(99,210)	(161,880)
Stock-option amortization expense (Notes 13 and 16)	1,823,485	1,452,911
Other amortization	<u>13,622</u>	<u>17,053</u>
	(938,318)	(2,103,147)
Changes in non-cash working capital balances:		
Decrease (increase) in amounts receivable	27,833	(28,558)
Decrease (increase) in prepaid expenses	3,664	(96,826)
(Decrease) in accounts payable and accrued liabilities	<u>(128,305)</u>	<u>(76,319)</u>
<b>Cash flows used in operating activities</b>	<u>(1,035,126)</u>	<u>(2,304,850)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan receivable	<u>750</u>	<u>458</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of convertible security	300,000	-
Issue of common shares	657,873	2,198,800
Securities Purchase Agreement deposit	52,000	-
Cost of issue	(39,629)	(51,906)
(Increase) in prepaid expense related to cost of issue	(154,292)	-
Issue of common shares by exercise of options	<u>-</u>	<u>373,625</u>
<b>Cash flows from financing activities</b>	<u>815,952</u>	<u>2,520,519</u>
(Decrease) increase in cash and cash equivalents	(218,424)	216,127
Cash and cash equivalents, beginning of year	<u>1, 295,854</u>	<u>1,079,727</u>
Cash and cash equivalents, end of year (Note 5)	<u><u>1,077,430</u></u>	<u><u>1,295,854</u></u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Common shares issued for SPA commitment fees (Note 15(b))	200,000	-
Amortization of prepaid expense related to cost of issue	93,189	-
Accretion of convertible security included in cost of issue	22,077	-

See accompanying notes to the financial statements.

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

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	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, 2011	31,650,637	14,100,756	1,861,070	-	(14,796,633)	1,165,193
Common shares issued	772,545	849,800	-	-	-	849,800
Flow-through shares issued	1,079,200	1,187,120	-	-	-	1,187,120
Share issue costs	-	(51,906)	-	-	-	(51,906)
Options exercised	425,000	647,875	(274,250)	-	-	373,625
Options expired	-	-	(1,368,000)	-	1,368,000	-
Stock-option amortization expense	-	-	1,452,911	-	-	1,452,911
Net loss for the year	-	-	-	-	(3,411,231)	(3,411,231)
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

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 11, 2013.

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. 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").

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period.

### **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 Securities**

Refer to Note 12.

#### **(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 twelve months or less.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(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 to 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, 2013 or October 31, 2012.

#### **(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.

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, 2013 or October 31, 2012.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(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

#### **(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 are measured at the fair value of the equity instruments at the grant date.

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 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.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(j) 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.

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.

#### **k) Earnings (Loss) Per Share**

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

Diluted earnings (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 and warrants. 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 and warrants with exercise prices below the average market price for the year.

As of October 31, 2013 and 2012 all outstanding options and warrants were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **l) 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.

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.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **l) Financial Instruments (Continued)**

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 balance sheet 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).

#### **m) 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**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after November 1, 2012. The following have not yet been adopted and are being evaluated to determine their impact on the Company. Updates not applicable or not consequential to the Company have been excluded. The Company has not yet determined the potential impacts of the following on its 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. 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 amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013.

#### 4. ACCOUNTING CHANGES (Continued)

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 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, 2015. Earlier adoption is permitted.

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. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

#### 5. CASH AND CASH EQUIVALENTS

	October 31, 2013 \$	October 31, 2012 \$
Cash in account at a Canadian chartered bank	550,402	787,568
Cash in Guaranteed Investment Certificates issued by a Canadian chartered bank	527,028	508,286
	<u>1,077,430</u>	<u>1,295,854</u>

#### 6. AMOUNTS RECEIVABLE

	October 31, 2013 \$	October 31, 2012 \$
GST input tax credit	<u>9,523</u>	<u>37,356</u>

**7. PREPAID EXPENSES**

	October 31, 2013 \$	October 31, 2012 \$
Current portion of prepaid expenses:		
Insurance premiums	18,760	18,375
Financing costs (Note 15(b))	158,471	121,870
Deposit on future conference	-	4,050
	<u>177,231</u>	<u>144,295</u>
Long term portion of prepaid expenses:		
Financing costs (Note 15(b))	<u>224,503</u>	<u>-</u>

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 these properties were not justified and terminated the option agreement effective September 6, 2013. As a result, the Company has no further interest in these properties, 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.

In May 2009, the Company signed an option agreement with Orosur Mining Inc. ("OMI") (TSXV:OMI) to explore certain properties located in northern Uruguay, South America (the "Rivera Project"). Pursuant to subsequent exploration activities, Olivut determined that additional expenditures on these diamond prospecting and exploration licenses were not justified and on June 17, 2012, pursuant to the terms of the option agreement, the Company terminated the option. As a result, the Company has no further interest in these properties, 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.

During the year ended October 31, 2013, the Company incurred \$450,120 (2012 - \$1,664,624) on exploration expenditures. Cumulative exploration expenditures made by the Company as at October 31, 2013 total \$15,410,086 (at October 31, 2012 - \$14,959,966). This cumulative total represents \$14,460,998 spent on the HOAM Project (October 31, 2012 - \$14,105,908), \$423,654 (October 31, 2012 - \$332,179) spent on the Itapoty Diamond Project and \$525,434 spent on the Rivera Project (October 31, 2012 - \$521,879).

**9. EQUIPMENT**

	<b>October 31, 2013</b>			<b>October 31, 2012</b>		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	\$	\$	\$	\$	\$	\$
Drill rig	91,288	38,706	52,582	91,288	25,561	65,727
Office equipment	11,951	10,638	1,313	11,951	10,309	1,642
Computer equipment	17,316	16,971	345	17,316	16,823	493
	<u>120,555</u>	<u>66,315</u>	<u>54,240</u>	<u>120,555</u>	<u>52,693</u>	<u>67,862</u>

**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**

	<b>October 31, 2013</b>	<b>October 31, 2012</b>
	\$	\$
Corporate payables and accrued liabilities (Note 13)	72,012	128,961
Exploration expense payables	<u>26,317</u>	<u>97,673</u>
	<u>98,329</u>	<u>226,634</u>

**12. CONVERTIBLE SECURITY**

On March 12, 2013, the Company entered into a Securities Purchase Agreement (the "SPA") to raise up to \$18 million over approximately the following 36 months in a tranch 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.

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 at any time commencing upon the earlier of (i) September 13, 2013 or (ii) the date on which the Company terminates the SPA. The convertible security may be converted into Units any time.

Each warrant that may be issued entitles the holder to purchase one common share at \$0.5957 per share until March 13, 2016; half of the warrants vest immediately and half vest upon the earlier of March 13, 2014 or immediately upon termination of the SPA by the Company.

## 12. CONVERTIBLE SECURITY (Continued)

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 and 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	<u>\$300,000</u>
Bifurcated as follows:	
Equity component	<u>\$133,048</u>
Fair value of liability component, upon issuance	
March 13, 2013	\$166,952
Accretion to October 31, 2013	<u>22,077</u>
Liability component of convertible security at October 31, 2013	<u>\$189,029</u>

## 13. RELATED PARTY TRANSACTIONS

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

	<b>Years ended October 31</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Salaries	223,603	236,175
Short term benefits	46,500	52,000
Stock-option amortization expense	1,644,968	1,292,473
Total remuneration	<u>1,915,071</u>	<u>1,580,648</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 years ended October 31, 2013 or 2012. 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, 2013, a total of \$18,500 (2012 - \$149,000) for exploration consulting expenditures, and \$9,600 (2012 - \$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 22, 2011 private placement (see note 15(b)), 100,000 common shares with flow-through tax benefits were sold to certain officers of the Company.

In connection with the December 12, 2012 private placement (see note 15(b)), 25,000 common shares with flow-through tax benefits were sold to an officer and director of the Company.

### 13. RELATED PARTY TRANSACTIONS (Continued)

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:

	<u>Amounts owed to related parties, as at</u>	
	<u>October 31, 2013</u>	<u>October 31, 2012</u>
	\$	\$
Officers and directors	29,015	74,664
Other related parties	-	53,603

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

### 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% (2012 – 27%) are as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Loss before income taxes	(2,775,425)	(3,573,111)
Expected income tax (benefit) based on statutory rates	(694,000)	(965,000)
Adjustments to benefit resulting from:		
Stock-based compensation	456,000	417,100
Share issue costs	-	(17,300)
Flow-through renunciation	(21,210)	(161,880)
Effect of change in tax rates	-	117,200
Other	44,000	242,800
Change in benefit of tax assets not recognized	116,000	205,200
Income tax expense (recovery)	(99,210)	(161,880)

The 2013 statutory tax rate of 25% differs from the 2012 statutory tax rate of 27% because of the reduction in both the Canadian federal and provincial substantively enacted tax rates.

#### b) Deferred Tax Balances

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Non-capital losses	1,436,000	1,474,000
Equipment	57,000	44,000
Share issue costs	155,000	41,000
Exploration properties	11,734,000	11,204,000
Total	13,382,000	12,763,000



#### 14. INCOME TAXES (Continued)

##### c) Tax Loss Carry-Forwards

As at October 31, 2013, the Company had approximately \$10,784,000 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, 2013, the Company had approximately \$1,436,000 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:

<u>Year of Expiry</u>	<u>Amount</u>
2024	\$ 92,000
2025	173,000
2026	265,000
2027	293,000
2028	132,000
2029	121,000
2030	111,000
2031	110,000
2032	20,000
2033	119,000
	<u>\$1,436,000</u>

In addition, as at October 31, 2013, the Company had approximately \$307,000 of federal input tax credit, 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

**15. CAPITAL STOCK (Continued)**

**b) Issued**

36,020,147 common shares

A summary of changes during the year ended October 31, 2013 is as follows:

	<b>Common Shares #</b>	<b>Amount \$</b>
Balance, October 31, 2011	31,650,637	14,100,756
Private placement of common shares	1,851,745	2,198,800
Share issue costs	-	(51,906)
Premium for flow-through tax benefits	-	(161,880)
Options exercised	425,000	647,875
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

On December 22, 2011, the Company issued a total of 1,851,745 common shares through a non-brokered private placement for aggregate gross proceeds of \$2,198,800. The private placement comprised placements of (i) 1,079,200 common shares with flow-through tax benefits to the shareholders for proceeds of \$1,349,000 at a price of \$1.25 per share and (ii) 772,545 common shares for proceeds of \$849,800 at a price of \$1.10 per common share.

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 common shares with flow-through tax benefits to the shareholders 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 will invest up to \$17,700,000 in a tranchéd placement of common shares. The initial cash advance of \$200,000 on March 13, 2013 is intended to be followed by an additional \$200,000 approximately every month over the following 35 months. 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.

**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 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 year ended October 31, 2013 the following tranche share issuances have been 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 <sup>(1)</sup>	0.2700	253,233
July 11, 2013	64,500 <sup>(1)</sup>	0.2312	278,979
	<u>332,873</u>		<u>1,244,716</u>

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

In addition to these tranche financings settled with common share issuances, on July 15, 2013 the Company received \$52,000 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, 2013 (note 20).

With respect to all share issuances under the terms of the SPA, copies of the qualifying base shelf prospectus dated March 11, 2013, the prospectus supplement dated March 12, 2013 and the Pricing Supplement dated May 10, 2013 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](http://www.sedar.com).

**16. EQUITY RESERVES**

<b>Stock options</b>	<b>Number of Options #</b>	<b>Weighted Average Exercise Price \$</b>	<b>Estimated Grant Date Fair Value of Options \$</b>
October 31, 2011	3,000,000	0.823	1,861,070
Granted/expensed	2,495,000	1.400	1,452,911
Exercised	(425,000)	0.853	(274,250)
Expired	(1,800,000)	1.000	(1,368,000)
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

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.

The following is a summary of stock options outstanding at October 31, 2013:

<b>Expiry Date</b>	<b>Outstanding Stock Options #</b>	<b>Exercisable Stock Options #</b>	<b>Estimated Grant Date Fair Value \$</b>	<b>Exercise Price \$</b>
December 9, 2014	565,000	565,000	79,100	0.165
April 19, 2015	35,000	35,000	9,100	0.300
March 10, 2016	50,000	50,000	73,500	1.700
June 27, 2022 (i)	2,495,000	1,663,333	3,368,250	1.400
Total, October 31, 2013	3,145,000	2,313,333	3,529,950	1.171

(i) The 831,667 unvested options as at October 31, 2013 vest on December 27, 2013.

## **16. EQUITY RESERVES (Continued)**

The estimated grant date fair value is calculated using the Black-Scholes option pricing model. Options granted in the year ended October 31, 2012 were valued using the following assumptions:

Expected dividend yield	0%
Risk-free interest rate	1.82%
Expected volatility	130%
Expected life	10 years

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. \$1,823,485 was charged to stock-option amortization expense during the year ended October 31, 2013 (2012 - \$1,452,911).

The weighted average remaining contractual life of options as of October 31, 2013 is 7.1 years (October 31, 2012 – 7.8 years). The weighted average exercise price of options exercisable as at October 31, 2013 is \$1.09 (October 31, 2012 - \$0.38).

## **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 342,105 flow-through shares on December 12, 2012, the Company has renounced \$325,000 of qualified exploration expenditures with an effective date of December 31, 2012.

The Company is required to expend this amount on qualified exploration expenditures by December 31, 2013. As of October 31, 2013 the Company has expended \$311,260 of this amount on qualified exploration expenditures. The amount remaining to be expended is \$13,740.

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.

### **d) Operating Lease**

The Company is committed to an operating lease for equipment rental, which expires on May 2, 2014. Minimum lease payments for the fiscal year ending October 31, 2014 is \$1,440.

## **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, 2013 or 2012. The Company is not subject to externally imposed capital requirements.

## **19. FINANCIAL RISK FACTORS**

There were no changes in the years ended October 31, 2013 or 2012 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.

### **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, 2013, the Company had a cash and cash equivalents balance of \$1,077,430 to settle accounts payable and accrued liabilities of \$98,329, the callable convertible security of \$300,000 (Note 12), the possible repayment of the SPA deposit of \$52,000 (Note 15(b)) and the commitment to fund the remaining balance of the qualified exploration expenses of \$13,740 (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. It is anticipated that the Company will continue to rely on equity financing and the proceeds of the SPA described in Note 15(b) 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 end October 31, 2014 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. Management carefully monitors its cash balances and may postpone material exploration expenses so as to protect the Company's working capital if equity markets do not permit additional financing.

## **19. FINANCIAL RISK FACTORS (Continued)**

### **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.

#### **(ii) Foreign Currency Risk (Continued)**

As discussed in Note 8, the Company acted as operator of an exploration project in Paraguay. At October 31, 2013, the Company has spent \$423,654 on this project. The option agreement relating to this project was terminated by the Company effective September 6, 2013. Management believes that the Company will not be subject to any material foreign currency risk related to this option.

#### **(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 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 shares to be issued 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 liability related to shares to be issued 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.

**19. FINANCIAL RISK FACTORS (Continued)**

**e) Sensitivity to Financial Risks**

The Company considers interest rate risk to be minimal as investments 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, 2013, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$11,000 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.

**20. SUBSEQUENT EVENTS**

On November 12, 2013, Olivut elected to reduce the SPA funding to avoid unnecessary dilution at the then current stock prices on the TSXV of approximately \$0.16. No securities were issued to repay a \$52,000 tranche financing advanced on July 15, 2013. Instead these advanced funds were used to offset additional funding for the same amount requested on each of August 13, September 12, October 12 and November 12, 2013. The share issuance date for the most recent tranche is anticipated to be December 13, 2013.





## **SCHEDULE B**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OCTOBER 31, 2013**





**OLIVUT RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OCTOBER 31, 2013**



## **OLIVUT RESOURCES LTD.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OCTOBER 31, 2013**

**The effective date of this report is December 11, 2013.**

This Management's Discussion and Analysis ("MD&A") contains certain "Forward-Looking Statements." All statements, other than statements of historical fact included herein, including without limitation, statements regarding potential mineralization and resources, exploration and evaluation activities, and future plans of Olivut Resources Ltd. (the "Company" or "Olivut") are forward-looking statements that involve various known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from expected results, including changes in future prices of precious minerals, variations in resources and grades, accidents, labour disputes and other risks associated with the exploration and mining industry, delays in obtaining governmental approvals and financing. Other than as required by applicable laws, the Company does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

This MD&A provides a detailed analysis of the business of the Company and compares the results for the three months and the year ended October 31, 2013 with those in the comparative periods in 2012. In order to better understand this MD&A, it should be read in conjunction with the financial statements of the Company for those periods. The Company prepares and files with various Canadian regulatory authorities its financial statements and MD&A in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS").

The Company's news releases and other regulatory filings can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Description of Business**

The Company is engaged in the acquisition, exploration and evaluation of properties for the purpose of mining precious minerals.

As of the date of this report, the Company has a 100% interest in the HOAM Project located in the Mackenzie Region, Northwest Territories, Canada (the "HOAM Project").

The Company is pleased to have the opportunity to complete early stage evaluations for diamond potential in relatively unexplored regions. Olivut views these prospects to be very worthwhile for its shareholders as a way to provide possible additional upside potential through new exploration of promising terrain. The intent is to focus limited, initial expenditures to evaluate the potential for economic diamond deposits of meaningful size. The aim of the Company's management and the Company's technical team is to acquire if warranted, in their view, enough new scientific information from early stage analysis to conclude relatively quickly if a project warrants further corporate commitments.

Further detail is provided under "*Mineral Property and Exploration and Evaluation Activities*".

## Financing Agreement

On March 12, 2013 the Company entered into a Securities Purchase Agreement (the “SPA”) to raise up to \$18 million over approximately the next 36 months in a tranch placement of securities to the Canadian Special Opportunity Fund, L.P. (“CSOF”), a fund managed by The Lind Partners, a New York-based asset management firm (together “Lind”). The SPA is more fully described under “*Liquidity and Capital Resources*”.

## Selected Annual Information

	Year Ended October 31		
	2013 \$	2012 \$	2011 \$
Total interest income	32,723	45,780	50,188
Net (loss)	(2,676,215)	(3,411,231)	(2,111,702)
Basic and diluted net loss per share	(0.08)	(0.10)	(0.07)
Total assets	1,788,956	1,792,146	1,468,146

## Summary of Quarterly Results

	2013 4 <sup>th</sup> Quarter	2013 3 <sup>rd</sup> Quarter	2013 2 <sup>nd</sup> Quarter	2012 1 <sup>st</sup> Quarter
Total interest income	\$7,983	\$8,263	\$8,245	\$8,232
Net (loss)	\$(465,120)	\$(524,785)	\$(609,715)	\$(1,076,595)
Basic and diluted net (loss) per share	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.03)

	2012 4 <sup>th</sup> Quarter	2012 3 <sup>rd</sup> Quarter	2012 2 <sup>nd</sup> Quarter	2011 1 <sup>st</sup> Quarter
Total interest income	\$10,004	\$12,820	\$13,260	\$9,696
Net (loss)	\$(1,881,578)	\$(999,129)	\$(125,286)	\$(405,238)
Basic and diluted net (loss) per share	\$(0.06)	\$(0.03)	\$(0.00)	\$(0.01)

## Results of Operations

*Three months and the year ended October 31, 2013 compared to three months and the year ended October 31, 2012.*

The Company's net loss for the three months and the year ended October 31, 2013 was \$465,120 and \$2,676,215 respectively (2012 - \$1,881,578 and \$3,411,231 respectively).

The Company has no active business income. Interest income is primarily earned on cash deposits, which in the three months and the year ended October 31, 2013 amounted to \$7,983 and \$32,723 respectively (2012 - \$10,004 and \$45,780 respectively).

During the three months and the year ended October 31, 2013 administrative and general expenses increased nominally by \$30,582 and \$36,618 respectively, compared to the three months and the year ended October 31, 2012. Non-cash stock-option amortization expense decreased by \$860,523 and increased by \$370,574, respectively, for the three months and the year ended October 31, 2013 compared to the similar periods in the prior year, due to the granting of options to consultants, management and the Board of Directors in June 2012.

Exploration expenses for the three months and the year ended October 31, 2013 were \$172,448 and \$450,120 respectively (2012 - \$760,129 and \$1,664,624 respectively). The change in exploration expenses period over period is explained below under “*Mineral Property and Exploration and Evaluation Activities*”.

## **Mineral Property and Exploration and Evaluation Activities**

### *The HOAM Project*

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.

The Company has been very successful in identifying kimberlite occurrences in this previously unexplored area of the Northwest Territories. Twenty-nine kimberlite discoveries have been made to date. Although some of the kimberlites are microdiamond bearing, they do not contain the extremely positive diamond inclusion field indicator mineral populations (including G10 garnets) that were found in regional stream sediment and till samples. The sources for these indicator minerals remain to be found.

In September 2013 a detailed helimag program was undertaken to assess moderate to high priority anomalies identified from the ongoing analysis of Olivut's regional airborne magnetic database. Twenty-three blocks were flown at 50 metre line spacing. The blocks were selected based on logistical parameters to maximize the amount of data that could be obtained within a limited 2013 field budget. Numerous other moderate to high priority regional magnetic targets occur elsewhere in the project area and will be a priority for the next phase of detailed airborne surveys.

As a result of the new helimag detail, seventeen targets are classified as being of moderate to high interest. Detailed magnetic modeling of these targets will be completed before they are added to the current priority drill list. Several targets are very discreet and are of high interest.

A larger helimag block was flown over an area of known kimberlite occurrences to assess regional structures and define weaker magnetic responses. Compilation and assessment of this information is ongoing but the Company is very pleased with preliminary results from this test area. This new data has implications for exploration within the broader region of the HOAM project area.

Numerous additional moderate to high priority targets have been delineated by an ongoing evaluation of regional geophysical data being conducted by an independent expert to provide information for future work. The objective of this evaluation is to identify potential new kimberlite occurrences. Based on the indicator mineral chemistry, geophysics and drill results, management believes that there is high potential for economic kimberlite pipes to be discovered in the project area.

Actual exploration costs on the HOAM Project for the year ended October 31, 2013 were \$355,090 (2012 - \$1,469,996).

### *The Itapoty Diamond Project*

In July 2011 the Company signed an option agreement with Latin American Minerals Inc. and certain of its Paraguayan subsidiaries (together "LAT") to explore the Itapoty Diamond Project located in central Paraguay, South America. Pursuant to subsequent exploration activities, Olivut determined that additional expenditures on these properties were not justified and terminated the option agreement effective September 6, 2013. As a result, the Company has no further interest in these properties, 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.

During the three months and the year ended October 31, 2013, the Company incurred \$172,448 and \$450,120 respectively (2012 - \$760,129 and \$1,664,624 respectively) on exploration and evaluation expenditures. The principal expenditures year-to-date were for ground geophysics \$205,217 (2012 - \$54,410) and diamond drilling related costs \$126,540 (2012 - \$1,357,082) on the HOAM project. Cumulative exploration and evaluation expenditures made by the Company as at October 31, 2013 total \$15,410,086 (at October 31, 2012 - \$14,959,966). This cumulative total represents \$14,460,998 spent on the HOAM Project (October 31, 2012 - \$14,105,908) and \$949,088 spent on other projects where the Company's interests have been terminated (October 31, 2012 - \$854,058).

Additional information is available at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.olivut.com](http://www.olivut.com).

## **Liquidity and Capital Resources**

As at October 31, 2013, the Company had a cash and cash equivalents balance of \$1,077,430 (October 31, 2012 - \$1,295,854) to settle accounts payable and accrued liabilities of \$98,329, the callable convertible security of \$300,000, possible repayment of the SPA deposit of \$52,000 (described below) and the commitment to fund the remaining balance of the qualified exploration expenses of \$13,740 (described under "*Commitments and Contingencies*").

Cash equivalents are entirely guaranteed investment certificates issued by a major Canadian chartered bank. All of the Company's financial liabilities have contractual maturities of less than one year.

During the three months and the year ended October 31, 2013, cash used by operating activities was \$253,320 and \$1,035,126 respectively (2012 - \$1,037,634 and \$2,304,850, respectively). The decrease year-to-date primarily reflects decreased spending on exploration activities.

The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing, including the SPA, 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 end October 31, 2014.

On March 12, 2013 the Company announced that it entered into the SPA to raise up to \$18 million over approximately the next 36 months in a tranching placement of securities to the Canadian Special Opportunity Fund, L.P. ("CSOF"), a fund managed by The Lind Partners, a New York-based asset management firm (together "Lind").

Under the terms and conditions of the SPA, Lind invested \$500,000 on March 13, 2013 with the ability to invest an additional \$200,000 approximately every month over the following 35 months. These monthly tranches may be increased to a maximum of \$500,000 upon mutual agreement between Olivut and Lind and may be less than \$200,000 if any single tranche exceeds 0.55% of the Company's market capitalization ("Market Capitalization Test") or if certain other terms of the SPA are triggered.

The initial investment of \$500,000 consisted of (i) a \$300,000 callable, convertible security that may be converted into 689,655 units (each a "Unit") and (ii) common shares to a value of \$200,000 which were to be issued on April 10, 2013 at the Purchase Price defined below. On April 11, 2013 the Company announced that CSOF had elected not to receive common shares as consideration for the initial \$200,000 tranche funding received on March 13, 2013. In accordance with the terms of the SPA, at the Company's election the initial \$200,000 tranche financing that would otherwise have been repayable to CSOF would instead be set off against the prepayment due in connection with a subsequent cash advance under the SPA. Therefore, the \$200,000 of common shares expected to be issued on April 10, 2013 to repay the initial cash advance, were subsequently issued on May 10, 2013.

The first 500,000 Units to be issued with respect to the convertible security shall be comprised of one common share and one warrant (the warrant entitling the holder to purchase one common share, as further described below) and the remaining Units issued shall be exercisable for one common share.

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 at any time commencing upon the earlier of (i) September 13, 2013 or (ii) the date on which the Company terminates the SPA. The convertible security may be converted into Units any time.

Each warrant that may be issued entitles the holder to purchase one common share at \$0.5957 per share until March 13, 2016; half of the warrants vest immediately and half vest upon the earlier of March 13, 2014 or immediately upon termination of the SPA by the Company.

The number of common shares 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 and 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 share issuance date for each tranche is 28 days after the funds are received.

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 in 505,944 common shares.

During the year ended October 31, 2013, the following tranche share issuances have been made to Lind:

Date	Amount	Price per share	Shares
	\$	\$	#
May 10, 2013	200,000	0.2807	712,504
June 11, 2013	68,373 <sup>(1)</sup>	0.2700	253,233
July 11, 2013	64,500 <sup>(1)</sup>	0.2312	278,979
	<u>332,873</u>		<u>1,244,716</u>

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

In addition to these tranche financings, on July 15, 2013 the Company received \$52,000 as an advance pursuant to that month's SPA tranche financing. No common shares had been issued in respect of this tranche by October 31, 2013 (see further discussion under "*Subsequent Events*").

Olivut intends to use the proceeds to supplement its current cash position for working capital purposes and to continue Olivut's exploration programs.

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](http://www.sedar.com).

In addition to the SPA, the Company may solicit additional financing during the next year to enable the Company to continue exploration on its projects and to consider new opportunities. Management carefully monitors its cash balances and may postpone material exploration expenses so as to protect the Company's working capital if equity markets do not permit additional financing. As at October 31, 2013, the Company did not have any long-term debt or contractual liability or obligations other than as reported in the financial statements.

### **Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet transactions.



## **Transactions with Related Parties**

In addition to salaries and benefits, during the three months and year ended October 31, 2013 a total of \$5,000 and \$18,500 respectively (2012 - \$61,000 and \$149,000 respectively) for exploration consulting expenditures, and \$2,400 and \$9,600 respectively (2012 - \$2,400 and \$9,600 respectively) for administrative and general expenses included in the statements 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. Included in accounts payable and accrued liabilities at October 31, 2013 is \$29,015 (October 31, 2012 - \$128,267) relating to the above transactions owing to directors and officers of the Company or persons or companies related to or controlled by them.

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

## **Critical Accounting Estimates**

The areas which require management to make significant judgements, estimates and assumptions are described in detail in Note 3 to the financial statements for the year ended October 31, 2013. In addition, as a result of the issuance of the SPA on March 13, 2013 the calculation of the value of the liability component of the convertible security was estimated by management. 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 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.

## **Changes In Accounting Policies**

The Company has adopted IFRS effective November 1, 2011 with a transition date of November 1, 2010. For further details, please refer to Notes 2, 3 and 19 of the financial statements for the year ended October 31, 2012.

## **Outstanding Share Data**

As of December 11, 2013, an unlimited number of common shares with no par value are authorized of which 36,020,147 shares are issued and outstanding. Pursuant to the SPA described under "*Liquidity and Capital Resources*", a commitment to issue additional common shares on December 13, 2013 currently exists.

Under the terms of the Company's Stock Option Plan, as at December 11, 2013 a total of 3,145,000 options to purchase common shares at exercise prices ranging from \$0.165 to \$1.70 per common share and expiring between December 9, 2014 and June 27, 2022 are outstanding.

## **Commitments and Contingencies**

### **1. Environmental Contingencies**

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **2. 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 of control, the contract requires payment of up to \$1,000,000. As the likelihood of these events taking place is not determinable, the contingent payment has not been reflected in the financial statements for the year ended October 31, 2013.

### 3. Flow-Through Shares

Pursuant to the issuance of 342,105 common shares with flow-through tax benefits ("flow-through shares") to the shareholders on December 12, 2012, the Company has renounced \$325,000 of qualified exploration expenditures with an effective date of December 31, 2012.

The Company is required to expend this amount on qualified exploration expenditures by December 31, 2013. As of October 31, 2013, the Company has expended \$311,260 of this amount on qualified exploration expenditures. The amount remaining to be expended is \$13,740.

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.

### 4. Operating Lease

The Company is committed to an operating lease for equipment rental, which expires on May 2, 2014. Minimum lease payments for the fiscal year ending October 31, 2014 total \$1,440.

### 5. Litigation

The Company is not involved in any outstanding litigation.

## **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 evaluation of mineral 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 year ended October 31, 2013. The Company is not subject to externally imposed capital requirements.

## **Risks and Uncertainties**

Risks and uncertainties include, but are not limited to, the following:

### 1. Financial Risk Factors

There were no changes in the years ended October 31, 2013 or 2012 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 which have been issued by a Canadian chartered bank. The loan receivable is described in Note 10 to the financial statements for the year ended October 31, 2013 and is secured by all assets of the borrower. Management believes that the credit risk with respect to these financial instruments is remote.

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. All of the Company's financial liabilities have contractual maturities of less than one year. Further discussion relating to liquidity risk is described above under "*Liquidity and Capital Resources*".

In the absence of cash flow from operations the Company must rely on its shareholders or capital markets to fund operations. 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. Failure to obtain such 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 equivalent 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.

As discussed in "*Mineral Property and Exploration and Evaluation Activities*", the Company acted as operator of an exploration project in Paraguay. At October 31, 2013 the Company has spent \$423,654 on this project. The option agreement relating to this project was terminated by the Company effective September 6, 2013. Management believes that the Company will not be subject to any material foreign currency risk related to this option.

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, the liability component of the convertible security and the liability related to shares to be issued 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 liability related to shares to be issued 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 value of the liability component of the convertible security was estimated by management 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 are short-term, the loan receivable has a fixed interest rate 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, 2013, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$11,000 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.

## 2. Exploration

The Company's exploration projects are subject to conditions beyond its control that can affect the carrying costs and exploration and evaluation costs for varying lengths of time. Such conditions include environmental hazards, unusual or unexpected geological formations or pressures and periodic interruptions due to inclement or hazardous weather conditions, geopolitical, economic, regulatory conditions as well as dependence on key employees. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury, environmental damage, delays in exploration programs, monetary losses and possible legal liability. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing marketable mineral reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land holdings, the availability of suitable employees, contractors, consultants and equipment and other factors.

If mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal recovery process to extract the minerals from the ore and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment of resources or reserves.

Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size, financing costs and the prevailing prices for the applicable resource. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use, land treaties and environmental protection.

The Company's continued existence is dependent upon the preservation of its interest in the underlying exploration properties, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to raise financing, if necessary and/or available, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

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 requirements.

#### Licenses and Permits, Laws and Regulations

The Company's exploration activities may require permits from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company relies on the expertise and commitment of its management team, their advisors, and contractors to ensure compliance with current laws and fosters a climate of open communication and cooperation with regulatory bodies. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits.

There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses and permits that may be required to explore and evaluate the properties under exploration, commence construction or operation of mining facilities or to maintain continued operations.

#### **Subsequent Events**

On November 12, 2013, Olivut elected to reduce the SPA funding to avoid unnecessary dilution at the then current stock prices on the TSXV of approximately \$0.16. No securities were issued to repay a \$52,000 tranche financing advanced on July 15, 2013. Instead these advanced funds were used to offset additional funding for the same amount requested on each of August 13, September 12, October 12 and November 12, 2013. The share issuance date for the most recent tranche is anticipated to be December 13, 2013.





## **SCHEDULE "C"**

**OLIVUT RESOURCES LTD.  
(the "Company")**

**AMENDED AND RESTATED SHARE OPTION PLAN**







**OLIVUT RESOURCES LTD.  
(the "Company")**

**AMENDED AND RESTATED SHARE OPTION PLAN**

**ARTICLE 1  
PURPOSE AND INTERPRETATION**

**1.1 Purpose**

The purpose of this Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares of the Company. It is the intention of the Company that this Plan will at all times be in compliance with the TSX Venture Policies (or, if applicable, the NEX Policies) and any inconsistencies between this Plan and the TSX Venture Policies) (or, if applicable, the NEX Policies) will be resolved in favour of the latter.

**1.2 Definitions**

In this Plan

- (a) **Affiliate** means a company that is a parent or subsidiary of the Company, or that is controlled by the same entity as the Company;
- (b) **Associate** has the meaning set out in the Securities Act;
- (c) **Board** means the board of directors of the Company or any committee thereof duly empowered or authorized to grant Options under this Plan;
- (d) **Change of Control** includes situations where after giving effect to the contemplated transaction and as a result of such transaction:
  - (i) any one Person holds a sufficient number of voting shares of the Company or resulting company to affect materially the control of the Company or resulting company, or,
  - (ii) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, holds in total a sufficient number of voting shares of the Company or its successor to affect materially the control of the Company or its successor,

where such Person or combination of Persons did not previously hold a sufficient number of voting shares to affect materially control of the Company or its successor. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the voting shares of the Company or

- resulting company is deemed to materially affect control of the Company or resulting company;
- (e) **Common Shares** means common shares without par value in the capital of the Company providing such class is listed on the TSX Venture (or the NEX, as the case may be);
  - (f) **Company** means the company named at the top hereof and includes, unless the context otherwise requires, all of its Affiliates and successors according to law;
  - (g) **Consultant** means an individual or Consultant Company, other than an Employee, Officer or Director that:
    - (i) provides on an ongoing bona fide basis, consulting, technical, managerial or like services to the Company or an Affiliate of the Company, other than services provided in relation to a Distribution;
    - (ii) provides the services under a written contract between the Company or an Affiliate and the individual or the Consultant Company;
    - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the business and affairs of the Company or an Affiliate of the Company; and
    - (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
  - (h) **Consultant Company** means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
  - (i) **Directors** means the directors of the Company as may be elected from time to time;
  - (j) **Discounted Market Price** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
  - (k) **Disinterested Shareholder Approval** means approval by a majority of the votes cast by all the Company's shareholders at a duly constituted shareholders' meeting, excluding votes attached to Common Shares beneficially owned by Insiders who are Service Providers or their Associates;
  - (l) **Distribution** has the meaning assigned by the Securities Act, and generally refers to a distribution of securities by the Company from treasury;
  - (m) **Effective Date** for an Option means the date of grant thereof by the Board;
  - (n) **Employee** means:
    - (i) an individual who is considered an employee under the Income Tax Act (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
    - (ii) an individual who works full-time for the Company or a subsidiary thereof providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
    - (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same

control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions need not be made at source;

- (o) **Exercise Price** means the amount payable per Common Share on the exercise of an Option, as determined in accordance with the terms hereof;
- (p) **Expiry Date** means the day on which an Option lapses as specified in the Option Commitment therefore or in accordance with the terms of this Plan;
- (q) **Independent** has the meaning assigned by Policy 3.1 of the TSX Venture Policies;
- (r) **Insider** means an insider as defined in the TSX Venture Policies or as defined in securities legislation applicable to the Company;
- (s) **Investor Relations Activities** has the meaning assigned by Policy 1.1 of the TSX Venture Policies;
- (t) **Management Company Employee** means an individual employed by a Person providing management services to the Company which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a Person engaged in Investor Relations Activities;
- (u) **NEX** means a separate board of the TSX Venture for companies previously listed on the TSX Venture or the Toronto Stock Exchange which have failed to maintain compliance with the ongoing financial listing standards of those markets;
- (v) **NEX Issuer** means a company listed on the NEX;
- (w) **NEX Policies** means the rules and policies of the NEX as amended from time to time;
- (x) **Officer** means a Board appointed officer of the Company;
- (y) **Option** means the right to purchase Common Shares granted hereunder to a Service Provider;
- (z) **Option Commitment** means the notice of grant of an Option delivered by the Company hereunder to a Service Provider and substantially in the form of Schedule A attached hereto;
- (aa) **Optioned Shares** means Common Shares that may be issued at any time and from time to time to a Service Provider upon the exercise of an Option;
- (bb) **Optionee** means the recipient of an Option hereunder;
- (cc) **Outstanding Shares** means at the relevant time, the number of issued and outstanding Common Shares of the Company from time to time;
- (dd) **Participant** means a Service Provider that becomes an Optionee;
- (ee) **Person** includes a company, any unincorporated entity, or an individual;
- (ff) **Plan** means this amended and restated share option plan, the terms of which are set out herein or as may be amended;
- (gg) **Plan Shares** means the total number of Common Shares which may be reserved for issuance as Optioned Shares under the Plan as provided in §2.2;
- (hh) **Regulatory Approval** means the approval of the TSX Venture and any other securities regulatory authority that has lawful jurisdiction over the Plan and any Options issued hereunder;
- (ii) **Securities Act** means the Securities Act, R.S.B.C. 1996, c. 418, or any successor legislation;

- (jj) **Service Provider** means a Person who is a bona fide Director, Officer, Employee, Management Company Employee, Consultant or Company Consultant, and also includes a company, 100% of the share capital of which is beneficially owned by one or more Service Providers;
- (kk) **Share Compensation Arrangement** means any Option under this Plan but also includes any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares to a Service Provider;
- (ll) **Shareholder Approval** means approval by a majority of the votes cast by eligible shareholders of the Company at a duly constituted shareholders' meeting;
- (mm) **TSX Venture** means the TSX Venture Exchange and any successor thereto; and
- (nn) **TSX Venture Policies** means the rules and policies of the TSX Venture as amended from time to time.

### 1.3 Other Words and Phrases

Words and phrases used in this Plan but which are not defined in the Plan, but are defined in the TSX Venture Policies (and, if applicable, the NEX Policies), will have the meaning assigned to them in the TSX Venture Policies (and, if applicable, the NEX Policies).

### 1.4 Gender

Words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa.

## ARTICLE 2 SHARE OPTION PLAN

### 2.1 Establishment of Share Option Plan

The Plan is hereby established to recognize contributions made by Service Providers and to create an incentive for their continuing assistance to the Company and its Affiliates.

### 2.2 Maximum Plan Shares

The maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 10% of the Outstanding Shares at the time Plan Shares are reserved for issuance as a result of the grant of an Option, less any Common Shares reserved for issuance under share options granted under Share Compensation Arrangements other than this Plan, unless this Plan is amended pursuant to the requirements of the TSX Venture Policies and, if applicable, the NEX Policies.

### 2.3 Eligibility

Options to purchase Common Shares may be granted hereunder to Service Providers from time to time by the Board. Directors who are not Employees will only be granted Options by or on the recommendation of a committee of Directors who are Independent as provided in §2.7(d) Service

Providers that are not individuals will be required to undertake in writing not to effect or permit any transfer of ownership or option of any of its securities, or to issue more of its securities (so as to indirectly transfer the benefits of an Option), as long as such Option remains outstanding, unless the written permission of the TSX Venture and the Company is obtained.

## **2.4 Options Granted Under the Plan**

All Options granted under the Plan will be evidenced by an Option Commitment in the form attached as Schedule A, showing the number of Optioned Shares, the term of the Option, a reference to vesting terms, if any, and the Exercise Price.

Subject to specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of an Option Commitment made hereunder.

## **2.5 Limitations on Issue**

Subject to 2.8, the following restrictions on issuances of Options are applicable under the Plan:

- (a) no Service Provider can be granted an Option if that Option would result in the total number of Options, together with all other Share Compensation Arrangements granted to such Service Provider in the previous 12 months, exceeding 5% of the Outstanding Shares;
- (b) no Options can be granted under the Plan if the Company is on notice from the TSX Venture to transfer its listed shares to the NEX;
- (c) the aggregate number of Options granted to Service Providers conducting Investor Relations Activities in any 12-month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture; and
- (d) the aggregate number of Options granted to any one Consultant in any 12 month period cannot exceed 2% of the Outstanding Shares, calculated at the time of grant, without the prior consent of the TSX Venture.

## **2.6 Options Not Exercised**

In the event an Option granted under the Plan expires unexercised or is terminated by reason of dismissal of the Optionee for cause or is otherwise lawfully cancelled prior to exercise of the Option, the Optioned Shares that were issuable thereunder will be returned to the Plan and will be eligible for re-issuance.

## **2.7 Powers of the Board**

The Board will be responsible for the administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising hereunder. Without limiting the generality of the foregoing, the Board has the power to

- (a) allot Common Shares for issuance in connection with the exercise of Options;
- (b) grant Options hereunder;

- (c) subject to any necessary Regulatory Approval, amend, suspend, terminate or discontinue the Plan, or revoke or alter any action taken in connection therewith, except that no general amendment or suspension of the Plan will, without the prior written consent of all Optionees, alter or impair any Option previously granted under the Plan unless the alteration or impairment occurred as a result of a change in the TSX Venture Policies or the Company's tier classification thereunder;
- (d) delegate all or such portion of its powers hereunder as it may determine to one or more committees of the Board, such committees to be comprised of Directors who are Independent either indefinitely or for such period of time as it may specify, and thereafter each such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorized so to do; and
- (e) amend this Plan (except for previously granted and outstanding Options) to reduce the benefits that may be granted to Service Providers (before a particular Option is granted) subject to the other terms hereof.

## **2.8 Terms or Amendments Requiring Disinterested Shareholder Approval**

The Company will be required to obtain Disinterested Shareholder Approval prior to any of the following actions becoming effective:

- (a) the Plan, together with all of the Company's other Share Compensation Arrangements, could result at any time in:
  - (i) the aggregate number of Common Shares reserved for issuance under Options granted to Insiders exceeding 10% of the Outstanding Shares (in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares);
  - (ii) the number of Optioned Shares issued to Insiders within a one-year period exceeding 10% of the Outstanding Shares (in the event that this Plan is amended to reserve for issuance more than 10% of the Outstanding Shares); or,
  - (iii) the issuance to any one Optionee, within a 12-month period, of a number of Common Shares exceeding 5% of Outstanding Shares; or
- (b) any reduction in the Exercise Price of an Option.

## **ARTICLE 3 TERMS AND CONDITIONS OF OPTIONS**

### **3.1 Exercise Price**

The Exercise Price of an Option will be set by the Board at the time such Option is allocated under the Plan, and cannot be less than the most recent closing price on the TSX Venture Exchange as long as the price is not lower than the minimum price permitted by the TSX Venture.

### **3.2 Term of Option**

An Option can be exercisable for a maximum of 10 years from the Effective Date.

### **3.3 Option Amendment**

Subject to 2.8(b), the Exercise Price of an Option may be amended only if at least six (6) months have elapsed since the later of the date of commencement of the term of the Option, the date the Common Shares commenced trading on the TSX Venture, and the date of the last amendment of the Exercise Price.

An Option must be outstanding for at least one year before the Company may extend its term, subject to the limits contained in 3.2.

Any proposed amendment to the terms of an Option must be approved by the TSX Venture prior to the exercise of such Option.

### **3.4 Vesting of Options**

Subject to 3.5, vesting of Options shall be in accordance with Schedule B attached hereto or otherwise, at the discretion of the Board, except that the Board may not waive vesting periods of any awards or accelerate Options except in the case of death, disability, retirement or Change of Control and will generally be subject to:

- (a) the Service Provider remaining employed by or continuing to provide services to the Company or any of its Affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or any of its Affiliates during the vesting period; or
- (b) the Service Provider remaining as a Director of the Company or any of its Affiliates during the vesting period.

### **3.5 Vesting of Options Granted to Consultants Conducting Investor Relations Activities**

Notwithstanding 3.4, Options granted to Consultants conducting Investor Relations Activities will vest:

- (a) over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting; or
- (b) such longer vesting period as the Board may determine.

### **3.6 Optionee Ceasing to be Director, Employee or Service Provider**

No Option may be exercised after the Service Provider has left his employ/office or has been advised by the Company that his services are no longer required or his service contract has expired, except as follows:

- (a) in the case of the death of an Optionee, any vested Option held by him at the date of death will become exercisable by the Optionee's lawful personal representatives,

heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such Option;

- (b) an Option granted to any Service Provider will expire within 90 days after the date the Optionee ceases to be employed by or provide services to the Company, but only to the extent that such Option has vested at the date the Optionee ceased to be so employed by or to provide services to the Company; and
- (c) in the case of an Optionee being dismissed from employment or service for cause, such Optionee's Options, whether or not vested at the date of dismissal will immediately terminate without right to exercise same.

### **3.7 Non Assignable**

Subject to 3.8, all Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

### **3.8 Adjustment of the Number of Optioned Shares**

The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:

- (a) in the event of a subdivision of Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a greater number of Common Shares, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder, in addition to the number of Optioned Shares in respect of which the right to purchase is then being exercised, such additional number of Common Shares as result from the subdivision without an Optionee making any additional payment or giving any other consideration therefore;
- (b) in the event of a consolidation of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a lesser number of Common Shares, the Company will thereafter deliver and an Optionee will accept, at the time of purchase of Optioned Shares hereunder, in lieu of the number of Optioned Shares in respect of which the right to purchase is then being exercised, the lesser number of Common Shares as result from the consolidation;
- (c) in the event of any change of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder the number of shares of the appropriate class resulting from the said change as an Optionee would have been entitled to receive in respect of the number of Common Shares so purchased had the right to purchase been exercised before such change;
- (d) in the event of a capital reorganization, reclassification or change of outstanding equity shares (other than a change in the par value thereof) of the Company, a consolidation, merger or amalgamation of the Company with or into any other company or a sale of the property of the Company as or substantially as an entirety at any time while an Option is in effect, an Optionee will thereafter have the right to purchase and receive, in lieu of the Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option, the kind and amount of



shares and other securities and property receivable upon such capital reorganization, reclassification, change, consolidation, merger, amalgamation or sale which the holder of a number of Common Shares equal to the number of Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option would have received as a result thereof. The subdivision or consolidation of Common Shares at any time outstanding (whether with or without par value) will not be deemed to be a capital reorganization or a reclassification of the capital of the Company for the purposes of this 3.8;

- (e) an adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this section are cumulative;
- (f) the Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Common Share that would, except for the provisions of this 3.8, be deliverable upon the exercise of an Option will be cancelled and not be deliverable by the Company; and
- (g) if any questions arise at any time with respect to the Exercise Price or number of Optioned Shares deliverable upon exercise of an Option in any of the events set out in this 3.8, such questions will be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants, in Vancouver, British Columbia (or in the city of the Company's principal executive office) that the Company may designate and who will be granted access to all appropriate records. Such determination will be binding upon the Company and all Optionees.

## **ARTICLE 4**

### **COMMITMENT AND EXERCISE PROCEDURES**

#### **4.1 Option Commitment**

Upon grant of an Option hereunder, an authorized officer of the Company will deliver to the Optionee an Option Commitment detailing the terms of such Options and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof.

#### **4.2 Manner of Exercise**

- (a) An Optionee who wishes to exercise his or her Option may do so by delivering:
  - (i) a written notice to the Company specifying the number of Optioned Shares being acquired pursuant to the Option; and
  - (ii) a certified cheque, wire transfer or bank draft payable to the Company for the aggregate Exercise Price by the Optioned Shares being acquired.
- (b) For any Options granted to an Optionee, the Company shall at its option and in its sole discretion have the authority to take reasonable steps for the deduction and withholding, or for the advance payment or reimbursement by the Optionee to the Company, of any amounts which the Company is required by law or regulation of any governmental authority whatsoever to withhold and/or remit in connection with this Plan, an Option Commitment, any grant or exercise of an Option, or any

issuance or delivery of Optioned Shares. Without limiting the generality of the foregoing, the Company may:

- (i) deduct and withhold additional amounts from other amounts owing or payable to an Optionee, whether or not such amount is related to the Plan or any Option Commitment;
- (ii) require, as a condition of the issuance of the Optioned Shares to a Optionee that the Optionee make a cash payment to the Company equal to the amount required to be withheld and remitted by the Company for the account of the Optionee to the appropriate governmental authority. The Company may withhold the issuance or delivery of Optioned Shares until the Optionee makes such payment to the Company for an amount in the Company's opinion that would satisfy any and all such withholding amounts;
- (iii) sell or cause a broker to sell on behalf of the Optionee, all or any portion of Optioned Shares otherwise deliverable to the Optionee upon exercise of an Option in such manner, in such amounts and at such prices as the Company shall determine in its sole discretion, until the net proceeds of sale equal the amount which in the Company's opinion would satisfy any and all withholding obligations and other source deductions for the account of the Optionee, and shall remit such amount to the appropriate governmental authorities; and
- (iv) make any other arrangements that are acceptable to the Company to satisfy any and all withholding obligations and other source deductions for the account of the Optionee to the appropriate governmental authority.

Optioned Shares of an Optionee that are sold by the Company, or by a broker engaged by the Company under Section 4.2(b)(iii) will be sold on the TSX Venture (or NEX, if applicable). The Optionee consents to such sale and grants to the Company an irrevocable power of attorney to effect the sale of such Optioned Shares on his or her behalf and acknowledges and agrees that (i) the number of Optioned Shares sold shall be sufficient to fund the Company's withholding obligations net of all selling costs, which costs are the responsibility of the Optionee and which the Optionee hereby authorizes to be deducted from the proceeds of such sale; (ii) in effecting the sale of any such Optioned Shares, the Company or the broker will exercise its sole judgement as to the timing and the manner of sale and will not be obligated to seek or obtain a minimum price; (iii) neither the Company nor the broker will be liable for any loss arising out of any sale of such Optioned Shares including any loss relating to the manner or timing of such sales, the prices at which the Optioned Shares are sold, any delay in transferring any Optioned Shares to an Optionee or otherwise. The Optionee further acknowledges that the sale price of such Optioned Shares sold on behalf of the Optionee will fluctuate with the market price of the Common Shares and no assurance can be given that any particular price will be received upon any such sale.

#### **4.3 Delivery of Certificate and Hold Periods**

As soon as practicable after receipt of the notice of exercise described in 4.2 and payment in full for the Optioned Shares being acquired, the Company will direct its transfer agent to issue a certificate to the Optionee for the appropriate number of Optioned Shares. Such certificate issued will bear a

legend stipulating any resale restrictions required under applicable securities laws. Further, if the Exercise Price is set below than the then current market price of the Common Shares on the TSX Venture, the certificate will also bear a legend stipulating that the Optioned Shares are subject to a four-month TSX Venture hold period commencing the date of the grant of the Option.

## **ARTICLE 5 GENERAL**

### **5.1 Employment and Services**

Nothing contained in the Plan will confer upon or imply in favour of any Optionee any right with respect to office, employment or provision of services with the Company, or interfere in any way with the right of the Company to lawfully terminate the Optionee's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Optionee is voluntary.

### **5.2 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan or to the effect of the Income Tax Act (Canada) or any other taxing statute governing the Options or the Common Shares issuable thereunder or the tax consequences to a Service Provider. Compliance with applicable securities laws as to the disclosure and resale obligations of each Participant is the responsibility of each Participant and not the Company.

### **5.3 Interpretation**

The Plan will be governed and construed in accordance with the laws of the Province of British Columbia.

### **5.4 Continuation of Plan**

The Plan will become effective from and after April 30, 2004, and will remain effective provided that the Plan, or any amended version thereof receives Shareholder Approval at each annual general meeting of the holders of Common Shares of the Company subsequent to April 30, 2004.

Reapproved by the Board of Directors the 11<sup>th</sup> day of December, 2013

**SCHEDULE "A"**  
**SHARE OPTION PLAN**  
**OPTION COMMITMENT**

Reference is made to the amended and restated Share Option Plan, dated December 9, 2011, as may be amended from time to time (the "**Plan**") of Olivut Resources Ltd. (the "**Company**"). Capitalized terms used herein that are not otherwise defined have the meanings given to them in the Plan.

Notice is hereby given that, effective this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the "**Effective Date**") the Company has granted to \_\_\_\_\_ (the "**Optionee**"), an Option to acquire \_\_\_\_\_ Common Shares ("**Optioned Shares**") up to 5:00 p.m. Toronto Time on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the "**Expiry Date**") at an Exercise Price of Cdn\$\_\_\_\_\_ per share.

At the date of grant of the Option, the Company is classified as [a Tier \_\_\_\_ Issuer under TSX Venture Policies].

Optioned Shares will vest and may be exercised as follows:

{COMPLETE ONE}

\_\_\_\_\_ In accordance with the vesting provisions set out in Schedule "B" of the Plan.

or

\_\_\_\_\_ As follows: [INSERT VESTING SCHEDULE][INSERT VESTING TERMS]

The grant of the Option evidenced hereby is made subject to the terms and conditions of the Plan, which are hereby incorporated herein and forms part hereof.

To exercise your Option, deliver a written notice specifying the number of Optioned Shares you wish to acquire, together with a certified cheque, wire transfer or bank draft payable to the Company for the aggregate Exercise Price and any other amount payable by an Optionee under section 4.2 of the Plan, if applicable. The Optionee acknowledges that if, in connection with the exercise of an Option, the Company is required to deduct or withhold any amount by reason of any required source deductions which the Company is required by law or regulation of any governmental authority whatsoever to remit in connection with the Plan, an Option Commitment, a grant or exercise of an Option or any issuance or delivery of Optioned Shares, the Company may implement any or all of the procedures enumerated in section 4.2 of the Plan to ensure that the withholding and deduction obligations are met. The operation of the Plan and the issuance and exercise of all Options and Optioned Shares contemplated by the Plan is subject to all applicable laws, and all rules and requirements of the TSX Venture (or NEX, if applicable). The Optionee agrees to fully cooperate with the Company in doing all such things, including executing and delivering all such agreements, undertakings or other documents or furnishing all such information as is reasonable necessary to assist the Company in complying with such laws, rules and requirements. A certificate for the Optioned Shares so acquired will be issued by the transfer agent as soon as practicable thereafter.

[INSERT LANGUAGE FOR HOLD PERIOD AND LEGEND IF REQUIRED]

The Company and the Optionee represent that the Optionee under the terms and conditions of the Plan is a bona fide Service Provider (as defined in the Plan), entitled to receive Options under TSX Venture Policies.

The Optionee also acknowledges and consents to the collection and use of Personal Information (as defined in the Policies of the TSX Venture Exchange) by both the Company and the TSX Venture (or the NEX, as the case may be) as more particularly set out in the Acknowledgement - Personal Information in use by the TSX Venture (or the NEX, as the case may be) on the date of this Share Option Plan.

**OLIVUT RESOURCES LTD.**

By: \_\_\_\_\_

Authorized Signatory

(\* SIGNATURE OF OPTIONEE)

**SCHEDULE "B"**  
**SHARE OPTION PLAN**  
**VESTING SCHEDULE**

1. Options granted pursuant to the Plan to Directors, Officers and all Employees and Consultants employed or retained by the Company for a period of more than six months at the time the Option is granted will vest as follows:
  - (a) 1/3 of the total number of Options granted will vest six months after the date of grant;
  - (b) a further 1/3 of the total number of Options granted will vest one year after the date of grant; and
  - (c) the remaining 1/3 of the total number of Options granted will vest eighteen months after the date of grant.
2. Options granted pursuant to the Plan to an Employee or a Consultant who has been employed or retained by the Company for a period of less than six months at the time the Option is granted will vest as follows:
  - (a) 1/3 of the total number of Options granted will vest one year after the date of grant;
  - (b) a further 1/3 of the total number of Options granted will vest eighteen months after the date of grant; and
  - (c) the remaining 1/3 of the total number of Options granted will vest two years after the date of grant.
3. Options granted to Consultants retained by the Company pursuant to a short term contract or for a specific project with a finite term, will be subject to such vesting provisions determined by the Board of Directors of the Company at the time the Option Commitment is made, subject to Regulatory Approval.
4. Options granted to Service Providers involved in Investor Relations Activities shall vest in accordance with section 3.5 of the Plan.



