



**OLIVUT RESOURCES LTD.**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**AS AT AND FOR THE SIX MONTHS ENDED APRIL 30, 2016**  
**(expressed in Canadian dollars)**

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

1 of 14

As at:	April 30, 2016 \$	October 31, 2015 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	293,298	551,846
Amounts receivable (Note 4)	3,560	2,727
Prepaid expenses (Note 5)	32,985	18,269
Current portion of loan receivable (Note 8)	<u>17,356</u>	<u>17,356</u>
<b>TOTAL CURRENT ASSETS</b>	347,199	590,198
<b>EQUIPMENT</b> (Note 7)	29,814	33,126
<b>LOAN RECEIVABLE</b> (Note 8)	<u>219,981</u>	<u>220,911</u>
<b>TOTAL ASSETS</b>	<u>596,994</u>	<u>844,235</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Notes 9 and 11)	<u>270,731</u>	<u>248,429</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 12(b))	17,757,386	17,757,386
<b>EQUITY RESERVES</b>		
Share options (Note 13)	3,258,714	3,315,060
<b>DEFICIT</b>	<u>(20,689,837)</u>	<u>(20,476,640)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>326,263</u>	<u>595,806</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>596,994</u>	<u>844,235</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 6 and 14)		
<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 unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(expressed in Canadian dollars)

	Three months ended April 30, 2016 \$	Three months ended April 30, 2015 \$	Six months ended April 30, 2016 \$	Six months ended April 30, 2015 \$
Exploration expenses (Note 6)	14,230	23,739	112,181	111,668
Administrative and general expenses (Note 11)	109,315	117,001	185,561	235,385
Share-option amortization expense (Notes 11 and 13)	6,187	33,721	17,154	51,529
Other amortization	<u>1,656</u>	<u>2,071</u>	<u>3,312</u>	<u>4,141</u>
Loss before the under-noted	(131,388)	(176,532)	(318,208)	(402,723)
Interest income from financial assets at fair value through profit or loss	289	526	584	2,089
Interest income from loans and Receivables	<u>4,032</u>	<u>4,062</u>	<u>8,070</u>	<u>8,130</u>
Loss before income taxes	(127,067)	(171,944)	(309,554)	(392,504)
Deferred income tax recovery	<u>-</u>	<u>-</u>	<u>22,857</u>	<u>21,000</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(127,067)</u>	<u>(171,944)</u>	<u>(286,697)</u>	<u>(371,504)</u>
<b>NET LOSS PER SHARE - basic and Diluted</b>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>(\$0.01)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
- basic and diluted	<u>40,946,672</u>	<u>38,497,357</u>	<u>40,946,672</u>	<u>38,316,305</u>

See accompanying notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

(expressed in Canadian dollars)

	Three months ended April 30, 2016 \$	Three months ended April 30, 2015 \$	Six months ended April 30, 2016 \$	Six months ended April 30, 2015 \$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net loss for the period	(127,067)	(171,944)	(286,697)	(371,504)
Adjustments for charges not involving cash:				
Deferred income tax recovery	-	-	(22,857)	(21,000)
Share-option amortization expense	6,187	33,721	17,154	51,529
Other amortization	<u>1,656</u>	<u>2,071</u>	<u>3,312</u>	<u>4,141</u>
	(119,224)	(136,152)	(289,088)	(336,834)
Changes in non-cash working capital balances:				
Amounts receivable	512	3,063	(833)	(1,127)
Prepaid expenses	(10,147)	14,261	(14,716)	11,335
Accounts payable and accrued liabilities	<u>(13,546)</u>	<u>17,317</u>	<u>45,159</u>	<u>(8,308)</u>
<b>Cash flows used in operating activities</b>	<u>(142,405)</u>	<u>(101,511)</u>	<u>( 259,478)</u>	<u>(334,934)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Loan receivable	<u>468</u>	<u>438</u>	<u>930</u>	<u>870</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(Repayment) of convertible security (Note 10)	-	-	-	(150,000)
Exercise of options	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,500</u>
<b>Cash flows from financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,500)</u>
(Decrease) in cash	(141,937)	(101,073)	(258,548)	(467,564)
Cash, beginning of period	<u>435,235</u>	<u>389,172</u>	<u>551,846</u>	<u>755,663</u>
Cash, end of period	<u>293,298</u>	<u>288,099</u>	<u>293,298</u>	<u>288,099</u>

See accompanying notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(expressed in Canadian dollars)

	Shares	Capital Stock	Equity Reserves Share Options	Equity Component of Convertible Security	Deficit	Total
	#	\$	\$	\$	\$	\$
	(Note 12(b))	(Note 12(b))	(Note 13)	(Note 10)		
Balance, October 31, 2014	<b>38,154,735</b>	<b>17,567,375</b>	<b>3,529,950</b>	<b>66,524</b>	<b>(20,159,914)</b>	<b>1,003,935</b>
Common shares issued	2,691,937	359,753	-	-	-	359,753
Share issue costs	-	(231,649)	-	-	-	(231,649)
Options exercised	100,000	30,500	(14,000)	-	-	16,500
Options expired	-	-	(293,575)	-	293,575	-
Share-option amortization expense	-	-	92,685	-	-	92,685
Redemption of convertible security	-	31,407	-	(66,524)	-	(35,117)
Net loss for the year	-	-	-	-	(610,301)	(610,301)
Balance, October 31, 2015	<b>40,946,672</b>	<b>17,757,386</b>	<b>3,315,060</b>	<b>-</b>	<b>(20,476,640)</b>	<b>595,806</b>
Options expired	-	-	(73,500)	-	73,500	-
Share-option amortization expense	-	-	17,154	-	-	17,154
Net loss for the period	-	-	-	-	(286,697)	(286,697)
Balance, April 30, 2016	<b>40,946,672</b>	<b>17,757,386</b>	<b>3,258,714</b>	<b>-</b>	<b>(20,689,837)</b>	<b>326,263</b>

See accompanying notes to the unaudited condensed interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****APRIL 30, 2016**

(expressed in Canadian dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Olivut Resources Ltd. (the "Company" or "Olivut") is engaged in the acquisition, exploration and evaluation of mineral properties for the purpose of mining diamonds and other precious and base minerals. The Company's shares are listed on the TSX Venture Exchange ("TSXV"). The head office is located at 27010 Hwy 16, 14 Mountain Park Properties, Jasper East, Alberta. These financial statements were reviewed, approved and authorized for issue by the Board of Directors on June 2, 2016.

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

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, native land claims and non-compliance with regulatory and environmental requirements. The Company's assets and operations are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company needs equity capital financing in order to explore and evaluate its properties and for working capital requirements (Note 16(a)). Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and/or to reach profitable levels of operation. There is no assurance that funds will be available on terms acceptable to the Company or at all. All of these indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**2. BASIS OF PRESENTATION**

These unaudited condensed interim 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").

The accounting policies followed in these unaudited condensed interim financial statements are the same as those applied in the Company's most recent audited annual financial statements for the year ended October 31, 2015. These unaudited condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements. Accordingly these unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended October 31, 2015.

In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the six month period ended April 30, 2016 are not necessarily indicative of the results that may be expected for the year ending October 31, 2016.

### 3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting annual periods beginning after November 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

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

### 4. AMOUNTS RECEIVABLE

	<b>April 30, 2016</b>	<b>October 31, 2015</b>
	<b>\$</b>	<b>\$</b>
GST input tax credit	3,560	2,727

### 5. PREPAID EXPENSES

	<b>April 30, 2016</b>	<b>October 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Current portion of prepaid expenses:		
Insurance premiums	32,985	15,330
Deposit for future conference	-	2,939
	<b>32,985</b>	<b>18,269</b>

### 6. MINERAL PROPERTY AND EXPLORATION EXPENDITURES

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

During the six months ended April 30, 2016, the Company incurred \$112,181 (2015 - \$111,668) on exploration expenditures. Cumulative exploration expenditures made by the Company as at April 30, 2016 total \$15,821,162 (at October 31, 2015 - \$15,708,981). This cumulative total represents \$14,872,074 spent on the HOAM Project (October 31, 2015 – \$14,759,893) and \$949,088 spent on other projects where the Company’s interests have been terminated (October 31, 2015 - \$949,088).

**7. EQUIPMENT**

	<b>April 30, 2016</b>			<b>October 31, 2015</b>		
	Cost \$	Accumulated Amortization \$	Net \$	Cost \$	Accumulated Amortization \$	Net \$
Drill rig	91,288	61,474	29,814	91,288	58,162	33,126

**8. 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.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>April 30, 2016</b> \$	<b>October 31, 2015</b> \$
Corporate payables and accrued liabilities (Note 11)	266,851	232,329
Exploration expense payables	3,880	16,100
	<u>270,731</u>	<u>248,429</u>

**10. CONVERTIBLE SECURITY**

On March 12, 2013, the Company entered into a Securities Purchase Agreement (the "SPA") that could have raised, depending on market conditions and other factors, up to \$18 million over approximately the following 36 months in a 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 and (ii) \$200,000 to purchase common shares.

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

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

Convertible security, October 31, 2014	150,000
Redemption of security November 14, 2014	(150,000)
Convertible security, October 31, 2015 and April 30, 2016	<u>-</u>



**10. CONVERTIBLE SECURITY (Continued)**

Bifurcated as follows:

Equity component, October 31, 2014	66,524
Equity component redeemed	<u>(66,524)</u>
Equity component, October 31, 2015 and April 30, 2016	<u>-</u>
Liability component, October 31, 2014	114,883
Liability component redeemed	<u>(114,883)</u>
Liability component, October 31, 2015 and April 30, 2016	<u>-</u>

**11. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended April 30</b>	
	<b>2016</b>	<b>2015</b>
	<u>\$</u>	<u>\$</u>
Salaries and remuneration	113,500 <sup>(1)</sup>	117,000
Benefits	13,856	12,735
Share-option amortization expense	<u>17,154</u>	<u>51,529</u>
Total remuneration	<u>144,510</u>	<u>181,264</u>

Note 1: Salaries and remuneration expense includes an accrued expense of \$78,500 (2015 - \$Nil) for salary and vacation pay earned by the CEO, which the CEO has elected to defer and which was unpaid as at April 30, 2016.

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

No bonuses were paid in the six months ended April 30, 2016 and 2015. Independent non-executive directors are not remunerated other than the benefits received, if any, from the granting of share options.

In addition to salaries and benefits, during the three and six month periods ended April 30, 2016, a total of \$Nil and \$17,000 respectively (2015 - \$Nil) for exploration consulting expenditures, and \$2,400 and \$4,800 respectively (2015 - \$2,400 and \$4,800 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.

In addition there is a management contract with the CEO (Note 14(b)) and an NSR agreement (Note 6).

In connection with the October 15, 2014 private placement (Note 12(b)), 220,000 common shares with flow-through tax benefits to the shareholders ("flow-through shares") were sold to an officer and director of the Company.

In connection with the October 6, 2015 private placement (Note 12(b)), 50,000 common shares were sold to an officer and director of the Company.

**11. 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:

	<b>Amounts owed to related parties, as at</b>	
	<b><u>April 30, 2016</u></b>	<b><u>October 31, 2015</u></b>
	\$	\$
Officers and directors	<u>244,970</u>	<u>170,167</u>

Included in the amount owing to officers and directors as at April 30, 2016 is \$242,667 (October 31, 2015 - \$164,167) representing unpaid salary and vacation pay owing to the Company's CEO.

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

**12. CAPITAL STOCK**

The capital stock is as follows:

**a) Authorized**

Unlimited number of common shares without par value

**b) Issued**

40,946,672 common shares

A summary of changes during the six months ended April 30, 2016 are as follows:

	<b>Common Shares</b>	<b>Amount</b>
	#	\$
Balance, October 31, 2015 and April 30, 2016	<u>40,946,672</u>	<u>17,757,386</u>

On March 12, 2013, the Company entered into the SPA which, in addition to the convertible security described in Note 10, provided that over approximately 36 months following the initial investment made on March 13, 2013 Lind could invest up to \$17,500,000 in tranching placements of common shares.

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

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

In the six months ended April 30, 2016, a total of \$Nil (2015 - \$224,506) prepaid financing costs were charged to share issue costs

**12. CAPITAL STOCK (Continued)**

**b) Issued (Continued)**

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

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

On October 6, 2015, the Company issued a total of 2,350,022 common shares through a non-brokered private placement for aggregate gross proceeds of \$340,110. The private placement comprised the placements of (i) 571,429 flow-through shares for proceeds of \$100,000 at a price of \$0.175 per flow-through share and (ii) 1,778,593 common shares for proceeds of \$240,110 at a price of \$0.135 per common share.

**13. EQUITY RESERVES**

**Share options**

	Number of Options #	Weighted Average Exercise Price \$	Estimated Amortized Fair Value of Options \$
October 31, 2015	3,512,500	0.989	3,315,060
Options expired	(50,000)		(73,500)
Share option amortization expense on options granted	-	-	17,154
April 30, 2016	3,462,500	0.989	3,258,714

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

The fair value attributed to the options when granted is charged to share-option amortization expense and added to equity reserves over the period the options vest. \$6,187 and \$17,154 respectively were charged to share-option amortization expense during the three and six months ended April 30, 2016 (2015 - \$33,721 and \$51,529 respectively).

**13. EQUITY RESERVES (Continued)**

The following is a summary of share options outstanding at April 30, 2016:

Expiry Date	Outstanding Share Options #	Exercisable Share Options #	Estimated Grant Date Fair Value \$	Exercise Price \$
June 26, 2022	2,332,500	2,332,500	3,148,875	1.400
December 15, 2024	1,130,000	753,333 <sup>(1)</sup>	113,000	0.110
Total, April 30, 2016	3,462,500	3,085,833	3,261,875	

Note 1: Options vest in three installments: 1/3 vested on June 15, 2015, 1/3 vested on December 15, 2015 and the remaining 1/3 will vest on June 15, 2016.

The estimated grant date fair value is calculated using the Black-Scholes option pricing model. Options granted in the year ended October 31, 2015 were valued using the following assumptions:

Expected dividend yield	0%
Risk-free interest rate	1.78%
Expected volatility	115.51%
Expected life	10 years

The weighted average remaining contractual life of options as of April 30, 2016 is 7.0 years (October 31, 2015 – 7.4 years). The weighted average exercise price of options exercisable as at April 30, 2016 is \$1.085 (October 31, 2015 - \$1.23).

**14. 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 571,429 flow-through shares on October 6, 2015 (Note 12(b)), the Company renounced \$100,000 of qualified exploration expenditures with an effective date of December 31, 2015. The Company is required to expend this amount on qualified exploration expenditures by December 31, 2016. As of April 30, 2016, the Company has incurred this entire amount on qualified exploration expenditures.

**14. COMMITMENTS AND CONTINGENCIES (Continued)**

**c) Flow-Through Shares (Continued)**

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 July 1, 2017. Minimum lease payments for successive fiscal years ending October 31 are as follows:

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

**15. CAPITAL MANAGEMENT**

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

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

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

There were no changes in the Company's approach to capital management during the six months ended April 30, 2016 or the year ended October 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months.

## **16. FINANCIAL RISK FACTORS**

There were no changes in the six months ended April 30, 2016 or the year ended October 31, 2015 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) Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. As at April 30, 2016, the Company had a cash balance of \$293,298 to settle accounts payable and accrued liabilities of \$270,731. All of the Company's financial liabilities have contractual maturities of less than one year. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. Although the Company has been successful in the past in obtaining financing, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. The Company will need to rely on new sources of equity financing, if available, to meet its ongoing working capital requirements. On the basis of the Company's current cash position, and continued deferral of some or all of the salary of the Company's CEO, management of the Company believes that it has sufficient funds to meet its other ongoing administrative and general costs until the fiscal year ended October 31, 2016 and will be soliciting additional financing during the remainder of the year to enable the Company to continue to operate, including exploration on its projects and to consider new opportunities. Failure to obtain additional financing could result in delay or the indefinite postponement of further exploration and the development of the Company's properties, as well as the loss of prospecting permits and mineral claims and even the risk of the Company failing to continue as a going concern.

### **b) Credit Risk**

The Company's credit risk is primarily attributable to cash, amounts receivable and a loan receivable. The Company has no significant credit risk arising from operations. Cash consists of bank deposits with Canadian chartered banks. The loan receivable as described in Note 8 is secured by all assets of the borrower. Management believes that the credit risk with respect to these financial instruments is remote.

### **c) Market Risk**

#### **(i) Interest Rate Risk**

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

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

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

#### **(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.

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

**d) Fair Value**

Amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for amounts receivable, accounts payable and accrued liabilities 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.

At April 30, 2016 and October 31, 2015 the Company had no financial instruments that are carried at fair value.

**e) Sensitivity to Financial Risks**

The Company considers interest rate risk to be minimal. The loan receivable (Note 8) has a fixed interest rate of 7% and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on the cash held by the Company as at April 30, 2016, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$3,000 annually.

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

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