# OLIVUT RESOURCES LTD.

## UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

## AS AT AND FOR THE NINE MONTHS ENDED JULY 31, 2013
**(expressed in Canadian dollars)**

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



| | July 31, 2013 $ | October 31, 2012 $ |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash and cash equivalents (Note 4) | 1,331,337 | 1,295,854 |
| Amounts receivable (Note 5) | 4,934 | 37,356 |
| Current portion of prepaid expenses (Note 6) | 187,404 | 144,295 |
| Current portion of loan receivable (Note 9) | 16,822 | 16,822 |
| **TOTAL CURRENT ASSETS** | 1,540,497 | 1,494,327 |
| **PREPAID EXPENSES** (Note 6) | 264,118 | - |
| **EQUIPMENT** (Note 8) | 57,646 | 67,862 |
| **LOAN RECEIVABLE** (Note 9) | 229,400 | 229,957 |
| **TOTAL ASSETS** | 2,091,661 | 1,792,146 |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable and accrued liabilities (Note 10) | 84,008 | 226,634 |
| Convertible security (Note 11) | 180,027 | - |
| Securities Purchase Agreement deposit (Notes 13(b) and 18) | 52,000 | - |
| **TOTAL CURRENT LIABILITIES** | 316,035 | 226,634 |
| **SHAREHOLDERS' EQUITY** | | |
| **CAPITAL STOCK** (Note 13(b)) | 17,386,812 | 16,733,645 |
| **EQUITY COMPONENT OF CONVERTIBLE SECURITY** (Note 11) | 133,048 | - |
| **EQUITY RESERVES** | | |
| Stock options (Note 14) | 3,226,725 | 1,671,731 |
| **DEFICIT** | (18,970,959) | (16,839,864) |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,775,626 | 1,565,512 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | 2,091,661 | 1,792,146 |

**COMMITMENTS AND CONTINGENCIES** (Notes 7,13 and 15)
**GOING CONCERN** (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Signed "Leni Keough", Director        Signed "Craig Reith", Director

See accompanying notes to the unaudited condensed interim financial statements.

OLIVUT RESOURCES LTD.
**UNAUDITED CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
(expressed in Canadian dollars)



| | Three months ended July 31, 2013 $ | Three months ended July 31, 2012 $ | Nine months ended July 31, 2013 $ | Nine months ended July 31, 2012 $ |
|---|---|---|---|---|
| Exploration expenses (Notes 7 and 12) | 48,210 | 509,969 | 277,672 | 904,495 |
| Administrative and general expenses (Note 12) | 117,609 | 110,697 | 412,163 | 406,127 |
| Stock-option amortization expense (Notes 12 and 14) | 363,824 | 387,020 | 1,634,994 | 403,897 |
| Other amortization | 3,405 | 4,263 | 10,216 | 12,790 |
| Loss before the under-noted | (533,048) | (1,011,949) | (2,335,045) | (1,727,309) |
| Interest income from financial assets at fair value through profit or loss | 3,952 | 8,427 | 11,797 | 22,555 |
| Interest income from loans and receivables | 4,311 | 4,393 | 12,943 | 13,221 |
| Loss before income taxes | (524,785) | (999,129) | (2,310,305) | (1,691,533) |
| Deferred income tax recovery | - | - | 99,210 | 161,880 |
| **NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD** | (524,785) | (999,129) | (2,211,095) | (1,529,653) |
| **NET LOSS PER SHARE -** basic and diluted | ($0.015) | ($0.030) | ($0.064) | ($0.046) |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** - basic and diluted | 35,608,763 | 33,852,382 | 34,757,144 | 33,380,956 |

See accompanying notes to the unaudited condensed interim financial statements.

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



| | Three months ended July 31, 2013 $ | Three months ended July 31, 2012 $ | Nine months ended July 31, 2013 $ | Nine months ended July 31, 2012 $ |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net loss for the period | (524,785) | (999,129) | (2,211,095) | (1,529,653) |
| Adjustments for charges not involving cash: | | | | |
| Deferred income tax recovery | - | - | (99,210) | (161,880) |
| Stock-option amortization expense (Note 14) | 363,824 | 387,020 | 1,634,994 | 403,897 |
| Other amortization | 3,405 | 4,263 | 10,216 | 12,790 |
| | (157,556) | (607,846) | (665,095) | (1,274,846) |
| Changes in non-cash working capital balances: | | | | |
| Decrease (increase) in amounts receivable | 8,844 | (11,756) | 32,422 | (17,806) |
| (Increase) decrease in prepaid expenses | (17,298) | (20,713) | (6,507) | (76,294) |
| (Decrease) increase in accounts payable and accrued liabilities | (12,307) | 237,892 | (142,626) | 101,730 |
| **Cash flows from operating activities** | (178,317) | (402,423) | (781,806) | (1,267,216) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Loan receivable | 188 | 108 | 557 | 279 |
| **Cash flows from investing activities** | 188 | 108 | 557 | 279 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Issue of convertible security | - | - | 300,000 | - |
| Issue of common shares | 332,873 | - | 657,873 | 2,198,800 |
| Securities Purchase Agreement deposit | (148,000) | - | 52,000 | - |
| Cost of issue | (13,857) | - | (38,849) | (51,906) |
| (Increase) in prepaid expense related to cost of issue | - | - | (154,292) | - |
| Issue of common shares by exercise of Options | - | - | - | 361,250 |
| **Cash flows from financing activities** | 171,016 | - | 816,732 | 2,508,144 |
| Increase (decrease) in cash and cash Equivalents | (7,113) | (402,315) | 35,483 | 1,241,207 |
| Cash and cash equivalents, beginning of period | 1,338,450 | 2,723,249 | 1, 295,854 | 1,079,727 |
| Cash and cash equivalents, end of period (Note 4) | 1,331,337 | 2,320,934 | 1,331,337 | 2,320,934 |

See accompanying notes to the unaudited condensed interim financial statements.

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



| | Shares | Capital Stock | Equity Reserves Stock options | Equity Component of Convertible Security | Deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| | (Note 13 (b)) | (Note 13(b)) | (Note 14) | (Note 11) | | |
| 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 | 350,000 | 625,000 | (263,750) | - | - | 361,250 |
| Options expired | - | - | (1,368,000) | - | 1,368,000 | - |
| Stock-option amortization expense | - | - | 403,897 | - | - | 403,897 |
| Net loss for the period | - | - | - | - | (1,529,653) | (1,529,653) |
| Balance July 31, 2012 | 33,852,382 | 16,710,770 | 633,217 | - | (14,958,286) | 2,385,701 |
| 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 | - | (105,496) | - | - | - | (105,496) |
| Equity component of convertible security | - | - | - | 133,048 | - | 133,048 |
| Options expired | - | - | (80,000) | - | 80,000 | - |
| Stock-option amortization expense | - | - | 1,634,994 | - | - | 1,634,994 |
| Net loss for the period | - | - | - | - | (2,211,095) | (2,211,095) |
| | | | | - | | |
| Balance, July 31, 2013 | 36,020,147 | 17,386,812 | 3,226,725 | 133,048 | (18,970,959) | 1,775,626 |

See accompanying notes to the unaudited condensed interim financial statements.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Olivut Resources Ltd. (the “Company” or “Olivut”) is engaged in the acquisition, exploration and evaluation of mineral properties for the purpose of mining diamonds and other precious and base minerals. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”). The head office is located at 27010 Hwy 16, 14 Mountain Park Properties, Jasper East, Alberta. These financial statements were reviewed, approved and authorized for issue by the Board of Directors on September 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 condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## 2. BASIS OF PRESENTATION (Continued)

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, 2012. These unaudited condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements. Accordingly these condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended October 31, 2012.

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 nine month period ended July 31, 2013 are not necessarily indicative of the results that may be expected for the year ending October 31, 2013.

## 3. 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.

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.

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 10 – Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011 and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(expressed in Canadian dollars)

## 3. ACCOUNTING CHANGES (Continued)

IFRS 11 – Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: joint operations and joint ventures. A joint operation exists when the parties have rights to the assets and obligations for the liabilities of a joint arrangement. A joint venture exists when the parties have rights to the net assets of a joint arrangement. Assets, liabilities, revenues and expenses in a joint operation are accounted for in accordance with the arrangement. Joint ventures are accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. 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.

## 4. CASH AND CASH EQUIVALENTS

| | **July 31, 2013** $ | **October 31, 2012** $ |
|---|---|---|
| Cash in account at a Canadian chartered bank | 806,337 | 787,568 |
| Cash in Guaranteed Investment Certificates issued by a Canadian chartered bank | 525,000 | 508,286 |
| | 1,331,337 | 1,295,854 |

## 5. AMOUNTS RECEIVABLE

| | **July 31, 2013** **$** | **October 31, 2012** $ |
|---|---|---|
| GST input tax credit | 4,934 | 37,356 |

## 6. PREPAID EXPENSES

| | **July 31, 2013** $ | **October 31, 2012** $ |
|---|---|---|
| Current portion of prepaid expenses: | | |
| Insurance premiums | 28,933 | 18,375 |
| Financing costs (Note 13(b)) | 158,471 | 121,870 |
| Deposit on future conference | - | 4,050 |
| | 187,404 | 144,295 |
| Long term portion of prepaid expenses: | | |
| Financing costs (Note 13(b)) | 264,118 | - |

The prepaid financing costs are charged to share issue costs over the term of the SPA (Note 11) on a straight-line basis.

(expressed in Canadian dollars)

## 7. MINERAL PROPERTY AND EXPLORATION EXPENDITURES

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

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 nine months ended July 31, 2013, the Company incurred $277,672 (July 31, 2012 - $904,495) on exploration expenditures. Cumulative exploration expenditures made by the Company as at July 31, 2013 total $15,237,638 (at October 31, 2012 - $14,959,966). This cumulative total represents $14,289,100 spent on the HOAM Project (October 31, 2012 - $14,105,908), $423,104 (October 31, 2012 - $332,179) spent on the Itapoty Diamond Project and $525,434 spent on the Rivera Project (October 31, 2012 - $521,879).

## 8. EQUIPMENT

| | July 31, 2013 | | | October 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Cost<br>$ | Accumulated Amortization<br>$ | Net<br>$ | Cost<br>$ | Accumulated Amortization<br>$ | Net<br>$ |
| Drill rig | 91,288 | 35,419 | 55,869 | 91,288 | 25,561 | 65,727 |
| Office equipment | 11,951 | 10,556 | 1,395 | 11,951 | 10,309 | 1,642 |
| Computer equipment | 17,316 | 16,934 | 382 | 17,316 | 16,823 | 493 |
| | 120,555 | 62,909 | 57,646 | 120,555 | 52,693 | 67,862 |

## 9. LOAN RECEIVABLE

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

(expressed in Canadian dollars)

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | July 31, 2013 $ | October 31, 2012 $ |
|---|---|---|
| Corporate payables and accrued liabilities (Note 12) | 63,283 | 128,961 |
| Exploration expense payables | 20,725 | 97,673 |
| | 84,008 | 226,634 |

## 11. 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 tranched placement of securities to the Canadian Special Opportunity Fund, L.P., a fund managed by The Lind Partners, a New York-based asset management firm (together “Lind”).

On March 13, 2013 the initial investment by Lind of $500,000 consisted of (i) a $300,000 callable, convertible security that may be converted into 689,655 units (each a “Unit”) (the first 500,000 Units issued shall be comprised of one common share and one warrant as further described below, and the remaining Units issued shall be exercisable for one common share) and (ii) $200,000 to purchase common shares.

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.

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%. 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.

(expressed in Canadian dollars)

## 11. CONVERTIBLE SECURITY (Continued)

| | |
|---|---|
| Convertible security upon issuance | $300,000 |
| Bifurcated as follows: | |
| Equity component | $133,048 |
| Fair value of liability component, upon issuance March 13, 2013 | $166,952 |
| Accretion to July 31, 2013 | 13,075 |
| Liability component of convertible security at July 31, 2013 | $180,027 |

## 12. RELATED PARTY TRANSACTIONS

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

| | Nine months ended July 31 | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Salaries including bonuses | 168,604 | 168,483 |
| Short term benefits | 43,000 | 45,000 |
| Stock-option amortization expense | 1,474,610 | 346,016 |
| Total remuneration | 1,686,214 | 559,499 |

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. 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 three and nine month periods ended July 31, 2013, a total of $nil and $13,500 respectively (2012 - $63,000 and $88,000 respectively) for exploration consulting expenditures, and $2,400 and $7,200 respectively (2012 - $3,200 and $8,000 respectively) for administrative and general expenses included in the statement of operations were accrued or paid to directors and officers of the Company or persons or companies related to or controlled by them. The directors and officers of the Company or persons or companies related to or controlled by them were also reimbursed at cost for expenses incurred on behalf of the Company.

In connection with the December 12, 2012 private placement (see note 13(b)), 25,000 common shares with flow-through tax benefits were sold to certain officers of the Company.

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

<u>Amounts owed to related parties, as at</u>

| | July 31, 2013 | October 31, 2012 |
|---|---|---|
| | $ | $ |
| Officers and directors | 21,155 | 74,664 |
| Other related parties | 2,000 | 53,603 |

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

(expressed in Canadian dollars)

## 13. CAPITAL STOCK

The capital stock is as follows:

### a) Authorized

Unlimited number of common shares without par value

### b) Issued

36,020,147 common shares

A summary of changes during the nine months ended July 31, 2013 is as follows:

| | Common Shares # | Amount $ |
|---|---|---|
| Balance, October 31, 2012 | 33,927,382 | 16,733,645 |
| Private placement of common shares | 342,105 | 325,000 |
| Share issue costs | - | (105,496) |
| Premium for flow-through tax benefits | - | (99,210) |
| SPA commitment fee | 505,944 | 200,000 |
| SPA tranches | 1,244,716 | 332,873 |
| Balance, July 31, 2013 | 36,020,147 | 17,386,812 |

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 (“flow-through shares”) to the shareholders at a price of $0.95 per flow-through share.

On March 12, 2013, the Company entered into the SPA which, in addition to the convertible security described in Note 11, 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 tranched 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.

(expressed in Canadian dollars)

## 13. 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 nine months ended July 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 (1) | 0.2700 | 253,233 |
| July 11, 2013 | 64,500 (1) | 0.2312 | 278,979 |
| | 332,873 | | 1,244,716 |

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 July 31, 2013 (note 18).

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.

(expressed in Canadian dollars)

## 14. EQUITY RESERVES

**Stock options**

| | Number of Options # | Weighted Average Exercise Price $ | Equity Reserve with respect to Options $ |
|---|---|---|---|
| October 31, 2012 | 3,270,000 | 1.158 | 1,671,731 |
| Expired | (125,000) | 0.850 | (80,000) |
| Stock-option amortization expense | - | - | 1,634,994 |
| July 31, 2013 | 3,145,000 | 1.171 | 3,226,725 |

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 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 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 July 31, 2013:

| Expiry Date | Outstanding Stock Options # | Exercisable Stock Options # | Estimated Grant Date Fair Value $ | Exercise Price $ |
|---|---|---|---|---|
| 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, July 31, 2013 | 3,145,000 | 2,313,333 | 3,529,950 | 1.171 |

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

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 |

(expressed in Canadian dollars)

## 14. EQUITY RESERVES (Continued)

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. $363,824 and $1,634,994 respectively were charged to stock-option amortization expense during the three and nine month periods ended July 31, 2013 (2012 - $387,020 and $403,897 respectively).

The weighted average remaining contractual life of options as of July 31, 2013 is 7.4 years (October 31, 2012 – 7.8 years). The weighted average exercise price of options exercisable as at July 31, 2013 is $1.09 (October 31, 2012 - $0.38).

## 15. COMMITMENTS AND CONTINGENCIES

### a) Environmental Contingencies

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

### b) Management Contracts

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

### c) Flow-Through Shares

Pursuant to the issuance of 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 July 31, 2013 the Company has expended $139,862 of this amount on qualified exploration expenditures. The amount remaining to be expended is $185,138.

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 successive fiscal years ending October 31 are as follows:

| Year | $ Amount |
|---|---|
| 2013 | 720 |
| 2014 | 1,440 |
| | 2,160 |

## 16. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration properties. The capital of the Company consists of 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 nine months ended July 31, 2013 or the year ended October 31, 2012. The Company is not subject to externally imposed capital requirements.

## 17. FINANCIAL RISK FACTORS

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

### a) 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 9 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 July 31, 2013, the Company had a cash and cash equivalents balance of $1,331,337 to settle accounts payable and accrued liabilities of $84,008, the convertible security, callable at any time after September 13, 2013 of $300,000 (Note 11), the possible repayment of the SPA deposit of $52,000 (Note 13(b)) and the commitment to fund the remaining balance of the qualified exploration expenses of $185,138 (Note 15(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 13(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, 2013 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.

## 17. 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.

As discussed in Note 7, the Company acted as operator of an exploration project in Paraguay. At July 31, 2013, the Company has spent $423,104 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.

## 17. 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 9) has a fixed interest rate of 7% and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on cash and cash equivalents held by the Company as at July 31, 2013, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately $13,000 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.

There were no changes in the nine months ended July 31, 2013 or the year ended October 31, 2012 that occurred that were attributed to financial risk.

## 18. Subsequent Events

On August 7, 2013, the Company terminated the option agreement with LAT effective September 6, 2013 (see Note 7).

On both August 12, 2013 and September 11, 2013, Olivut elected to reduce the SPA funding to avoid unnecessary dilution at the then current stock prices on the TSXV of approximately $0.23. 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 August 13, 2013 and September 11, 2013. The share issuance date for the most recent tranche is anticipated to be October 11, 2013.