



OLIVUT RESOURCES LTD.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED APRIL 30, 2019

(expressed in Canadian dollars)

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

Page 1 of 15

| As at: | April 30, 2019 \$ | October 31, 2018 \$ |
|--|-------------------------|---------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents (Note 4) | 1,162,319 | 1,313,624 |
| Amounts receivable (Note 5) | 6,980 | 11,361 |
| Prepaid expenses and deposits (Note 6) | 9,248 | 13,727 |
| Current portion of loan receivable (Note 9) | <u>1,269</u> | <u>1,217</u> |
| TOTAL CURRENT ASSETS | 1,179,816 | 1,339,929 |
| EQUIPMENT (Note 8) | 61,389 | 68,216 |
| LOAN RECEIVABLE (Note 9) | <u>238,325</u> | <u>238,978</u> |
| TOTAL ASSETS | <u><u>1,479,530</u></u> | <u><u>1,647,123</u></u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Notes 10 and 11) | <u>906,450</u> | <u>780,146</u> |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| CAPITAL STOCK (Note 12(b)) | 19,694,005 | 19,694,005 |
| EQUITY RESERVES | | |
| Share options (Note 13) | 3,312,785 | 3,299,246 |
| DEFICIT | <u>(22,433,710)</u> | <u>(22,126,274)</u> |
| TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY) | <u>573,080</u> | <u>866,977</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | <u><u>1,479,530</u></u> | <u><u>1,647,123</u></u> |
| COMMITMENTS AND CONTINGENCIES (Notes 7 and 14) | | |
| GOING CONCERN (Note 1) | | |

APPROVED ON BEHALF OF THE BOARD:

Signed "Leni Keough", Director

Signed "Craig Reith", Director

See accompanying notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

| | Three months ended April 30, 2019 \$ | Three months ended April 30, 2018 \$ | Six months ended April 30, 2019 \$ | Six months ended April 30, 2018 \$ |
|---|---|---|---|---|
| Exploration expenses (Notes 7 and 11) | 93,569 | 22,083 | 115,736 | 32,826 |
| Administrative and general expenses (Note 11) | 106,190 | 103,781 | 214,171 | 214,441 |
| Share-option amortization expense (Notes 11 and 13) | 6,391 | 13,166 | 13,539 | 27,206 |
| Other amortization (Note 8) | <u>3,408</u> | <u>1,059</u> | <u>6,827</u> | <u>2,122</u> |
| Loss before the under-noted | (209,558) | (140,089) | (350,273) | (276,595) |
| Interest income from loans and receivables | <u>11,107</u> | <u>4,717</u> | <u>22,837</u> | <u>9,006</u> |
| Loss before income taxes | (198,451) | (135,372) | (327,436) | (267,589) |
| Deferred income tax recovery (Note 12(b)) | <u>-</u> | <u>-</u> | <u>20,000</u> | <u>4,000</u> |
| NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | <u>(198,451)</u> | <u>(135,372)</u> | <u>(307,436)</u> | <u>(263,589)</u> |
| NET LOSS PER SHARE - basic and diluted | <u>(\$0.00)</u> | <u>(\$0.00)</u> | <u>(\$0.01)</u> | <u>(\$0.01)</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | | |
| - basic and diluted | <u>57,840,611</u> | <u>43,773,944</u> | <u>57,840,611</u> | <u>42,961,689</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, 2019 \$ | Three months ended April 30, 2018 \$ | Six months ended April 30, 2019 \$ | Six months ended April 30, 2018 \$ |
|---|---|---|---|---|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | | | |
| Net loss for the period | (198,451) | (135,372) | (307,436) | (263,589) |
| Interest income from loan receivable | (4,194) | (4,291) | (8,399) | (8,513) |
| Adjustments for charges (credits) not involving cash: | | | | |
| Share-option amortization expense | 6,391 | 13,166 | 13,539 | 27,206 |
| Deferred income tax recovery (Note 12(b)) | - | - | (20,000) | (4,000) |
| Other amortization | <u>3,408</u> | <u>1,059</u> | <u>6,827</u> | <u>2,122</u> |
| | (192,846) | (125,438) | (315,469) | (246,774) |
| Changes in non-cash working capital balances: | | | | |
| Amounts receivable | (4,560) | (742) | 4,381 | (2,454) |
| Prepaid expenses and deposits | 9,761 | 13,681 | 4,479 | 7,304 |
| Accounts payable and accrued liabilities | <u>134,414</u> | <u>47,237</u> | <u>146,304</u> | <u>58,424</u> |
| Cash flows used in operating activities | <u>(53,231)</u> | <u>(65,262)</u> | <u>(160,305)</u> | <u>(183,500)</u> |
| CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES | | | | |
| Interest income from loan receivable | 4,194 | 4,291 | 8,399 | 8,513 |
| Loan receivable | <u>304</u> | <u>283</u> | <u>601</u> | <u>561</u> |
| Cash flows (used in) from investing activities | <u>4,498</u> | <u>4,574</u> | <u>9,000</u> | <u>9,074</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Issue of common shares | - | - | - | 300,000 |
| Issue of flow-through shares | - | - | - | 15,000 |
| Cost of issue | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,079)</u> |
| Cash flows from financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>311,921</u> |
| Increase (decrease) in cash and cash equivalents | (48,733) | (60,688) | (151,305) | 137,495 |
| Cash and cash equivalents, beginning of period | <u>1,211,052</u> | <u>278,183</u> | <u>1,313,624</u> | <u>80,000</u> |
| Cash and cash equivalents, end of period (Note 4) | <u>1,162,319</u> | <u>217,495</u> | <u>1,162,319</u> | <u>217,495</u> |

See accompanying notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(expressed in Canadian dollars)

| | Shares | Capital Stock | Equity Reserves Share Options | Deficit | Total |
|-----------------------------------|-------------------|-------------------|--|---------------------|------------------|
| | # | \$ | \$ | \$ | \$ |
| | (Note 12(b)) | (Note 12(b)) | (Note 13) | | |
| Balance, October 31, 2017 | 40,946,672 | 17,757,386 | 3,258,792 | (21,254,848) | (238,670) |
| Common shares issued | 16,127,272 | 1,908,000 | - | - | 1,908,000 |
| Flow-through shares issued | 766,667 | 91,000 | - | - | 91,000 |
| Share issue costs | - | (62,381) | - | - | (62,381) |
| Share-option amortization expense | - | - | 40,454 | - | 40,454 |
| Net loss for the year | - | - | - | (871,426) | (871,426) |
| Balance, October 31, 2018 | 57,840,611 | 19,694,005 | 3,299,246 | (22,126,274) | 866,977 |
| Share-option amortization expense | - | - | 13,539 | - | 13,539 |
| Net loss for the period | - | - | - | (307,436) | (307,436) |
| Balance April 30, 2019 | 57,840,611 | 19,694,005 | 3,312,785 | (22,433,710) | 573,080 |

See accompanying notes to the unaudited condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Olivut Resources Ltd. (the "Company" or "Olivut") is engaged in the acquisition, exploration and evaluation of mineral properties for the purpose of mining diamonds and other precious and base minerals. The Company's shares are listed on the TSX Venture Exchange ("TSXV"). The head office is located at 27010 Hwy 16, 14 Mountain Park Properties, Jasper East, Alberta. These financial statements were reviewed, approved and authorized for issue by the Board of Directors on June 5, 2019.

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 government licensing requirements or regulatory social licensing requirements, 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 audited 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, 2018 except as described in Note 3. These unaudited condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements. Accordingly, these unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended October 31, 2018.

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, 2019 are not necessarily indicative of the results that may be expected for the year ending October 31, 2019.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for the Company's accounting annual periods beginning on or after November 1, 2018 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 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IFRIC 23 - Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

During 2018, the Company adopted the amendments to IAS 12 - Income Taxes (“IAS 12”). IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The adoption of these amendments did not have an impact on the Company's financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Certain other new standards and interpretations have been adopted which did not have a material impact on the Company's financial statements.

4. CASH AND CASH EQUIVALENTS

| | April 30, 2019 | October 31, 2018 |
|---|---------------------------|-----------------------------|
| | \$ | \$ |
| Cash in accounts at Canadian chartered banks | 8,542 | 19,278 |
| Cash in Guaranteed Investment Certificates issued by a Canadian Chartered Bank | 1,153,777 | 1,294,346 |
| | <u>1,162,319</u> | <u>1,313,624</u> |

5. AMOUNTS RECEIVABLE

| | April 30, 2019 | October 31, 2018 |
|----------------------|---------------------------|-----------------------------|
| | \$ | \$ |
| GST input tax credit | 6,980 | 11,361 |
| | <u>6,980</u> | <u>11,361</u> |

6. PREPAID EXPENSES AND DEPOSITS

| | April 30, 2019 | October 31, 2018 |
|-------------------------------|---------------------------|-----------------------------|
| | \$ | \$ |
| Insurance premiums | 9,248 | 11,740 |
| Deposit for future conference | - | 1,987 |
| | <u>9,248</u> | <u>13,727</u> |

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, 2018 the Company signed an option agreement (the "Option Agreement") with Talmora Diamond Inc. ("Talmora") to earn 50% in Talmora's Seahorse Project (the "Seahorse Project"), located in Canada's Northwest Territories, by spending \$1,200,000 over two years on exploration expenditures and making a \$200,000 payment to Talmora (the "Option Payment"). Olivut is the operator during the option period. This interest is subject to a 1% NSR on certain land.

7. MINERAL PROPERTY AND EXPLORATION EXPENDITURES (Continued)

Cumulative exploration expenditures made by the Company are as follows:

| | HOAM \$ | Seahorse \$ | Other ⁽²⁾ \$ | Total \$ |
|---------------------------------|------------|------------------------|----------------------------|-------------|
| Total to October 31, 2018 | 14,967,938 | 412,602 ⁽¹⁾ | 949,088 | 16,329,628 |
| Six months ended April 30, 2019 | 18,826 | 96,910 | - | 115,736 |
| Total to April 30, 2019 | 14,986,764 | 509,512 | 949,088 | 16,445,364 |

Notes:

1. Includes the Option Payment
2. Projects where the Company's interests have been terminated.

8. EQUIPMENT

| | |
|--|----------------|
| | \$ |
| Cost as at October 31, 2018 and April 30, 2019 | <u>148,238</u> |
| Accumulated amortization October 31, 2018 | 80,022 |
| Charge for the period | <u>6,827</u> |
| Accumulated amortization as at April 30, 2019 | <u>86,849</u> |
| Net book value as at October 31, 2018 | 68,216 |
| Net book value as at April 30, 2019 | 61,389 |

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. On May 25, 2017, the Company entered into a loan extension agreement with the borrower extending the loan receivable for a period of three years to May 25, 2020. All other terms and conditions remain unchanged.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | April 30, 2019 \$ | October 31, 2018 \$ |
|--|----------------------|------------------------|
| Corporate payables and accrued liabilities (Note 11) | 828,808 | 743,067 |
| Flow-through premium (Note 12(b)) | - | 20,000 |
| Exploration expense payables | <u>77,642</u> | <u>17,079</u> |
| | <u>906,450</u> | <u>780,146</u> |

11. RELATED PARTY TRANSACTIONS

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

| | Six months ended April 30, | |
|-----------------------------------|-----------------------------------|------------------------|
| | 2019 | 2018 |
| | <u>\$</u> | <u>\$</u> |
| Salaries and remuneration | 112,000 ⁽¹⁾ | 110,000 ⁽¹⁾ |
| Benefits | 8,272 | 12,367 |
| Share-option amortization expense | <u>8,876</u> | <u>17,140</u> |
| Total remuneration | <u>129,148</u> | <u>139,507</u> |

Note 1: Salaries and remuneration expense includes a net accrued expense of \$110,000 (2018 - \$67,756) for salary earned by the President and CEO, which the President and CEO has elected to defer and which was unpaid as at April 30, 2019.

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, 2019 and 2018. 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 six month ended April 30, 2019 a total of \$13,800 (2018 - \$10,000) for exploration consulting expenditures, and \$4,800 (2018 - \$4,800) 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 President and CEO (Note 14(b)) and an NSR agreement (Note 7).

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

| | Amounts owed to related parties, as at | |
|------------------------|---|-------------------------|
| | April 30, 2019 | October 31, 2018 |
| | <u>\$</u> | <u>\$</u> |
| Officers and directors | <u>849,988</u> | <u>718,452</u> |

Included in the amount owing to officers and directors as at April 30, 2019 is \$808,759 (October 31, 2018 - \$698,759) representing unpaid salary and vacation pay owing to the Company's President and 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

57,840,611 common shares

A summary of changes during the six months ended April 30, 2019 are as follows:

| | Common Shares | Amount |
|--|----------------------|-------------------|
| | # | \$ |
| Balance, April 30, 2019 and October 31, 2018 | <u>57,840,611</u> | <u>19,694,005</u> |

On July 25, 2018, the Company issued a total of 900,000 common shares at a price of \$0.12 per common share through a non-brokered private placement for aggregate gross proceeds of \$108,000.

On July 6, 2018, the Company issued a total of 13,166,667 common shares through a non-brokered private placement for aggregate gross proceeds of \$1,600,000. The private placement comprised the placements of (i) 666,667 common shares with flow-through tax benefits to the shareholders ("flow-through shares") for proceeds of \$100,000 at a price of \$0.15 per flow-through share and (ii) 12,500,000 common shares for proceeds of \$1,500,000 at a price of \$0.12 per common share. The \$0.03 per share premium on the flow-through shares gives rise to a deferred income tax recovery of \$20,000.

On December 22, 2017, the Company issued a total of 2,827,272 common shares through a non-brokered private placement for aggregate gross proceeds of \$315,000. The private placement comprised the placements of (i) 100,000 flow-through shares for proceeds of \$15,000 at a price of \$0.15 per flow-through share and (ii) 2,727,272 common shares for proceeds of \$300,000 at a price of \$0.11 per common share. The \$0.04 per share premium on the flow-through shares gives rise to a deferred income tax recovery of \$4,000.

13. EQUITY RESERVES**Share options**

| | Number of Options # | Weighted Average Exercise Price \$ | Estimated Amortized Grant Date Fair Value of Options \$ |
|---|------------------------|---|---|
| October 31, 2017 | 4,072,500 | 0.843 | 3,258,792 |
| Options granted | 150,000 | 0.110 | - |
| Share-option amortization expense on options granted | - | - | 40,454 |
| October 31, 2018 | 4,222,500 | 0.817 | 3,299,246 |
| Share-option amortization expense on options granted | - | - | 13,539 |
| April 30, 2019 | <u>4,222,500</u> | 0.817 | <u>3,312,785</u> |

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

The fair value attributed to the options when granted is charged to share-option amortization expense and added to equity reserves over the period the options vest. \$13,539 was charged to share-option amortization expense during the six months ended April 30, 2019 (2018 - \$27,206).

The following is a summary of share options outstanding at April 30, 2019:

| Expiry Date | Outstanding Share Options # | Exercisable Share Options # | Estimated Grant Date Fair Value \$ | Exercise Price \$ |
|---------------------------------|-----------------------------------|-----------------------------------|--|-------------------------|
| June 26, 2022 | 2,332,500 | 2,332,500 | 3,148,876 | 1.400 |
| December 15, 2024 | 1,090,000 | 1,090,000 | 109,000 | 0.110 |
| October 25, 2027 | 650,000 | 650,000 | 45,500 | 0.075 |
| October 16, 2028 ⁽¹⁾ | 150,000 | 50,000 | 15,000 | 0.110 |
| Total April 30, 2019 | <u>4,222,500</u> | <u>4,122,500</u> | <u>3,318,376</u> | |

Note 1: Options vest in three installments: 1/3 will vest on April 16, 2019, 1/3 will vest on October 16, 2019 and the remaining 1/3 will vest on April 16, 2020.

13. 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, 2018 were valued using the following assumptions:

| | 2018 |
|-------------------------|----------|
| Expected dividend yield | 0% |
| Risk-free interest rate | 2.49% |
| Expected volatility | 93.8% |
| Expected life | 10 years |

The share price used in the calculation is \$0.11, the market price on the day prior to the granting of the options. The volatility used in the calculation is based on the historic volatility of the Company's shares on the TSXV.

The weighted average remaining contractual life of options as of April 30, 2019 is 4.8 years (October 31, 2018 – 5.3 years). The weighted average exercise price of options exercisable as at April 30, 2019 is \$0.8344 (October 31, 2018 - \$0.8864).

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 666,667 flow-through shares on July 6, 2018, the Company renounced \$100,000 of qualified exploration expenditures with an effective date of December 31, 2018.

The Company is required to expend this amount on qualified exploration expenditures by December 31, 2019. As of April 30, 2019, the Company believes it has expended this entire amount on qualified exploration expenditures.

Pursuant to the issuance of 100,000 flow-through shares on December 22, 2017, the Company has renounced \$15,000 of qualified exploration expenditures with an effective date of December 31, 2017.

The Company is required to expend this amount on qualified exploration expenditures by December 31, 2018. As of April 30, 2019, the Company believes it has expended 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 the expenditure commitment.

d) Operating Lease

The Company committed to an operating lease for equipment rental, which expires on July 1, 2021. Minimum lease payments for successive fiscal years ending October 31 are as follows:

| Year | Amount \$ |
|------|---------------------|
| 2019 | 1,386 |
| 2020 | 2,772 |
| 2021 | <u>1,386</u> |
| | <u><u>5,544</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, 2019 or 2018. 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. As of April 30, 2019, the Company is compliant with these policies of the TSXV.

16. FINANCIAL RISK FACTORS

There were no changes in the six months ended April 30, 2019 or 2018 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

As at April 30, 2019, the Company had a cash and cash equivalents balance of \$1,162,319 (October 31, 2018 - \$1,313,624) to settle accounts payable and accrued liabilities of \$906,450 (October 31, 2018 - \$780,146) which includes \$808,759 (October 31, 2018 - \$698,759) of unpaid salary and vacation pay owing to the Company's President and CEO that she has elected to defer and that is non-interest bearing with no fixed terms of repayment. As at April 30, 2019, all of the Company's financial liabilities have contractual maturities of less than one year, with the exception of the equipment lease as described in Note 14(d). The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing and the continued deferral of some or all of the President and CEO's salary. 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, or that the President and CEO will continue to elect to defer some or all of her salary. The Company will need to rely on new sources of equity financing, if available, to meet its ongoing working capital requirements. Failure to obtain additional financing would 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/or mineral claims and 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 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 Canadian chartered banks 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.

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. 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.

16. FINANCIAL RISK FACTORS (Continued)**c) Market Risk (Continued)****(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.

d) Fair Value

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Cash, amounts receivable and the 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 cash, 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.

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

e) Sensitivity to Financial Risks

The Company considers interest rate risk to be minimal. The loan receivable (Note 9) has a fixed interest rate of 7% and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on the cash and cash equivalents held by the Company as at April 30, 2019, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$12,000 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.