OLIVUT RESOURCES LTD.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED APRIL 30, 2020

(expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The attached condensed interim consolidated financial statements have been approved by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

As at:	April 30, 2020 $	October 31, 2019 $
ASSETS		
CURRENT		
Cash (Note 4)	129,964	294,262
Amounts receivable (Note 5)	3,707	27,082
Prepaid expenses and deposits (Note 6)	6,609	13,749
Current portion of loan receivable (Note 9 and 17)	1,360	646
TOTAL CURRENT ASSETS	141,640	335,739
EQUIPMENT (Note 8)	49,112	54,573
LOAN RECEIVABLE (Note 9 and 17)	236,965	238,325
TOTAL ASSETS	427,717	628,637
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 10 and 11)	1,009,078	941,329
SHAREHOLDERS' (DEFICIENCY) EQUITY		
CAPITAL STOCK (Note 12(b))	19,694,005	19,694,005
EQUITY RESERVES		
Share options (Note 13)	3,349,631	3,317,184
DEFICIT	(23,624,997)	(23,323,881)
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY	(581,361)	(312,692)
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY	427,717	628,637

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.

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

	Three months ended April 30, 2020 $	Three months ended April 30, 2019 $	Six months ended April 30, 2020 $	Six months ended April 30, 2019 $
Exploration expenses (Notes 7 and 11)	12,597	93,569	62,923	115,736
Administrative and general expenses (Note 11)	112,724	106,190	208,658	214,171
Share-option amortization expense (Notes 11 and 13)	15,934	6,391	32,447	13,539
Other amortization (Note 8)	2,727	3,408	5,461	6,827
Loss before the under-noted	(143,982)	(209,558)	(309,489)	(350,273)
Interest income	4,182	11,107	8,373	22,837
Loss before income taxes	(139,800)	(198,451)	(301,116)	(327,436)
Deferred income tax recovery (Note 12(b))	-	-	-	20,000
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(139,800)	(198,451)	(301,116)	(307,436)
NET LOSS PER SHARE - basic and diluted	($0.00)	($0.00)	($0.00)	($0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - basic and diluted	57,840,611	57,840,611	57,840,611	57,840,611

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 April 30, 2020 $	Three months ended April 30, 2019 $	Six months ended April 30, 2020 $	Six months ended April 30, 2019 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net loss for the period	(139,800)	(198,451)	(301,116)	(307,436)
Interest income from loan receivable	(4,174)	(4,196)	(8,354)	(8,399)
Adjustments for charges (credits) not involving cash:				
Deferred salary (Note 11)	55,000	55,000	110,000	110,000
Share-option amortization expense	15,934	6.391	32,447	13,539
Deferred income tax recovery (Note 12(b))	-	-	-	(20,000)
Other amortization	2,727	3,408	5,461	6,827
	(70,313)	(137,848)	(161,562)	(205,469)
Changes in non-cash working capital balances:				
Amounts receivable	(951)	(4,560)	23,375	4,381
Prepaid expenses and deposits	19	9,761	7,140	4,479
Accounts payable and accrued liabilities	14,249	79,414	(42,251)	36,304
Cash flows used in operating activities	(56,996)	(53,233)	(173,298)	(160,305)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Interest income from loan receivable	4,174	4,196	8,354	8,399
Loan receivable	326	304	646	601
Cash flows from (used in) investing activities	4,500	4,500	9,000	9,000
(Decrease) increase in cash	(52,496)	(48,733)	(164,298)	(151,305)
Cash beginning of period	182,460	1,211,052	294,262	1,313,624
Cash end of period (Note 4)	129,964	1,162,319	129,964	1,162,319

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, 2018	**57,840,611**	**19,694,005**	**3,299,246**	**(22,126,274)**	**866,977**
Share-option amortization expense	-	-	17,938	-	17,938
Net loss for the year	-	-	-	(1,197,607)	(1,197,607)
Balance, October 31, 2019	**57,840,611**	**19,694,005**	**3,317,184**	**(23,323,881)**	**(312,692)**
Share-option amortization expense	-	-	32,447	-	32,447
Net loss for the period	-	-	-	(301,116)	(301,116)
Balance April 30, 2020	**57,840,611**	**19,694,005**	**3,349,631**	**(23,624,997)**	**(581,361)**

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 3, 2020.

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 raise financing, if necessary and/or available, its extensive regional information database, the preservation and confirmation of its interest in the underlying exploration properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the health and well-being of its key employees and consultants and 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. Because of a working capital deficiency 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, 2019 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, 2019.

(expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

These unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis except for certain financial instruments which are carried at fair value as disclosed in these unaudited condensed interim financial statements.

Certain amounts in the period ended April 30, 2019 have been restated for year over year comparative purposes.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations were adopted by the Company during 2019, including IFRS 2, *Share-based payments* and IFRS 9, *Financial Instruments*. These new standards and changes did not have a material impact on the Company's financial statements.

Effective November 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in the changes as described below. In accordance with the transitional provisions in the standard, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at November 1, 2018. There were no effects on opening balances at November 1, 2018 with respect to the adoption of this policy.

IFRS 9, *Financial Instruments*

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value through profit or loss ("FVPL") or fair value through other comprehensive income; establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Cash equivalents	Held-for-trading	FVPL
Amounts receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended October 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Note 3 *Summary of Significant Accounting Policies* in the October 31, 2019 annual audited financial statements outlines the current and previous accounting policies pertaining to financial instruments.

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3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

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, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

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.

4. CASH

	April 30, 2020 $	October 31, 2019 $
Cash in accounts at Canadian chartered banks	129,964	294,262

5. AMOUNTS RECEIVABLE

	April 30, 2020 $	October 31, 2019 $
GST input tax credit	3,707	27,082

6. PREPAID EXPENSES AND DEPOSITS

	April 30, 2020 $	October 31, 2019 $
Insurance premiums	6,609	11,522
Deposit for future conference	-	2,227
	6,609	13,749

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.

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7. MINERAL PROPERTY AND EXPLORATION EXPENDITURES (Continued)

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 the Northwest Territories, by spending $1,200,000 (in a combination of cash and in-kind expenses) over two years on exploration expenditures and making a $200,000 payment to Talmora (the “Option Payment”). On December 7, 2019 Olivut informed Talmora that $1,295,256 had been spent on the Seahorse Project to October 31, 2019 in a combination of cash ($1,014,045) and in-kind expenses ($281,211). These expenses have been agreed upon by Talmora. Olivut is the operator during the option period. Olivut must decide whether to exercise its option by July 6, 2020. This interest is subject to a 1% NSR on certain land.

Cumulative cash exploration expenditures made by the Company are as follows:

	HOAM $	Seahorse $	Other(3) $	Total $
Total to October 31, 2019	15,001,693	1,214,045(1),(2)	949,088	17,164,826
Six months ended April 30, 2020	41,147	21,776(2)	-	62,923
Total to April 30, 2020	15,042,840	1,235,821	949,088	17,227,749

Notes:

1. Includes the Option Payment.
2. Does not include in-kind expenses incurred relating to the Seahorse Project.
3. Projects where the Company’s interests have been terminated.

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8. EQUIPMENT

	$
Cost as at October 31, 2019 and April 30, 2020	148,238
Accumulated amortization October 31, 2019	93,665
Charge for the period	5,461
Accumulated amortization as at April 30, 2020	99,126
Net book value as at October 31, 2019	54,573
Net book value as at April 30, 2020	49,112

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. 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. At maturity, the loan may be repaid by the borrower with cash or may be refinanced by the Company. See Note 17 – Subsequent Event.

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2020 $	October 31, 2019 $
Corporate payables and accrued liabilities (Note 11)	1,007,418	915,254
Exploration expense payables	1,660	26,075
	1,009,078	941,329

11. RELATED PARTY TRANSACTIONS

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

	Six months ended April 30,	
	2020 $	2019 $
Salaries and remuneration	110,000(1)	112,000(1)
Benefits	7,272	8,272
Share-option amortization expense	18,030	8,876
Total remuneration	135,302	129,148

Note 1: Salaries and remuneration expense includes a net accrued expense of $110,000 (2019 - $110,000) 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, 2020.

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, 2020 and 2019. 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 months ended April 30, 2020 a total of $Nil (2019 - $Nil) for exploration consulting expenditures, and $4,800 (2019 - $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).

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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:

	Amounts owed to related parties, as at	
	April 30, 2020 $	**October 31, 2019** $
Officers and directors	986,148	903,286

Included in the amount owing to officers and directors as at April 30, 2020 is $984,414 (October 31, 2019 - $874,414) 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

	Common Shares #	**Amount** $
Balance, October 31, 2019 and April 30, 2020	57,840,611	19,694,005

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 (the "flow-through premium") gives rise to a deferred income tax recovery of $20,000.

(expressed in Canadian dollars)

13. EQUITY RESERVES

Share options

	Number of Options	Weighted Average Exercise Price	Estimated Amortized Grant Date Fair Value of Options
	#	$	$
October 31, 2018	4,222,500	0.817	3,299,246
Options granted	1,275,000	0.050	-
Share-option amortization expense on options granted	-	-	17,938
October 31, 2019	5,497,500	0.639	3,317,184
Share-option amortization expense on options granted	-		32,447
April 30, 2020	5,497,500	0.639	3,349,631

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. $32,447 was charged to share-option amortization expense during the six months ended April 30, 2020 (2019 - $13,539).

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13. EQUITY RESERVES (Continued)

The following is a summary of share options outstanding at April 30, 2020:

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	150,000	15,000	0.110
October 28, 2029[(2)]	1,275,000	429,000	51,000	0.050
Total April 30, 2020	5,497,500	4,651,500	3,369,376	

Note 1: Options vest in three installments: 1/3 vested on April 16, 2019, 1/3 vested on October 16, 2019 and the remaining 1/3 vested on April 16, 2020.
Note 2: Options vest in three installments: 1/3 vested on April 29, 2020, 1/3 vest on October 29, 2020 and the remaining 1/3 vest on April 29, 2021.

The estimated grant date fair value is calculated using the Black-Scholes option pricing model. Options granted in the years ended October 31, 2019 and 2018 were valued using the following assumptions:

	2019	2018
Expected dividend yield	0%	0%
Risk-free interest rate	1.60%	2.49%
Expected volatility	90.2%	93.8%
Expected life	10 years	10 years

The share price used in the 2019 calculation is $0.05 (2018 - $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, 2020 is 5.2 years (October 31, 2019 – 5.7 years). The weighted average exercise price of options exercisable as at April 30, 2020 is $0.7464 (October 31, 2019 - $0.8257).

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 was required to expend this amount on qualified exploration expenditures by December 31, 2019. As of April 30, 2020, the Company believes it has expended this entire amount on qualified exploration expenditures.

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.

15. CAPITAL MANAGEMENT

There were no changes in the Company's approach to capital management during the six months ended April 30, 2020 or 2019. 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.

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, 2020, the Company is not compliant with these policies of the TSXV. The final impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

16. FINANCIAL RISK FACTORS

There were no changes in the six months ended April 30, 2020 or 2019 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 / Going Concern Risk

As at April 30, 2020, the Company had a cash balance of $129,964 (October 31, 2019 - $294,262) to settle accounts payable and accrued liabilities of $1,009,078 (October 31, 2019 - $941,329) which includes $984,414 (October 31, 2019 - $874,414) 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, 2020, all of the Company's financial liabilities have contractual maturities of less than one year, with the exception of an immaterial office equipment lease. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing, the continued deferral of some or all of the President and CEO's salary and the health and well-being of its key employees and consultants. 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 HOAM and/or Seahorse Projects, 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.

16. FINANCIAL RISK FACTORS (Continued)

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.

(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 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) COVID-19 Pandemic

Governments and regulatory bodies have imposed a number of measures designed to contain the spread and outbreak of the COVID-19 disease, including temporary business closures, travel restrictions, quarantines and stay-at-home directives. The COVID-19 pandemic will likely continue to negatively impact global economic conditions. The Company is closely monitoring the potential effects and impact of the pandemic, which is an evolving situation. As a result of the spread of COVID-19 and government actions taken, many of the risks the Company manages, both financial and non-financial, have increased.

16. FINANCIAL RISK FACTORS (Continued)

f) 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 held by the Company as at April 30, 2020, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately $1,000 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.

17. SUBSEQUENT EVENT

On May 25, 2020 the Company entered into a loan extension agreement with the borrower extending maturity of the loan receivable (Note 9) for a period of two years to May 25, 2022. All other terms and conditions remain unchanged.