



OLIVUT RESOURCES LTD.

FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019

(expressed in Canadian dollars)

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Olivut Resources Ltd.:

Opinion

We have audited the financial statements of Olivut Resources Ltd. (the "Company"), which comprise the statements of financial position as at October 31, 2020 and 2019, and the statements of operations and comprehensive loss, statements of cash flows and statements of changes in equity (deficiency) for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had a working capital deficiency as at October 31, 2020 and continuing operating losses during the year ended October 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
December 9, 2020

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

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As at:	October 31, 2020 \$	October 31, 2019 \$
ASSETS		
CURRENT		
Cash (Note 5)	89,196	294,262
Amounts receivable (Note 6)	544	27,082
Prepaid expenses and deposits (Note 7)	8,889	13,749
Current portion of loan receivable (Note 10)	<u>1,409</u>	<u>646</u>
TOTAL CURRENT ASSETS	100,038	335,739
EQUIPMENT (Note 9)	43,658	54,573
LOAN RECEIVABLE (Note 10)	<u>236,248</u>	<u>238,325</u>
TOTAL ASSETS	<u><u>379,944</u></u>	<u><u>628,637</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 11 and 12)	<u>1,116,841</u>	<u>941,329</u>
SHAREHOLDERS' (DEFICIENCY) EQUITY		
CAPITAL STOCK (Note 14(b))	19,694,005	19,694,005
EQUITY RESERVES		
Share options (Note 15)	3,363,792	3,317,184
DEFICIT	<u>(23,794,694)</u>	<u>(23,323,881)</u>
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY	<u>(736,897)</u>	<u>(312,692)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY	<u><u>379,944</u></u>	<u><u>628,637</u></u>
COMMITMENTS AND CONTINGENCIES (Notes 8 and 16)		
GOING CONCERN (Note 1)		

APPROVED ON BEHALF OF THE BOARD:

Signed "Leni Keough", Director

Signed "Craig Reith", Director

See accompanying notes to the financial statements.

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

For the years ended October 31,	2020 \$	2019 \$
Exploration expenses (Notes 8 and 12)	71,923	835,198
Administrative and general expenses (Note 12)	358,083	389,305
Share-option amortization expense (Notes 12 and 15)	46,608	17,938
Other amortization (Note 9)	<u>10,915</u>	<u>13,643</u>
Loss before the under-noted	(487,529)	(1,256,084)
Interest income	<u>16,716</u>	<u>38,477</u>
Loss before income taxes	(470,813)	(1,217,607)
Deferred income tax recovery (Note 13(a))	<u>-</u>	<u>20,000</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	<u>(470,813)</u>	<u>(1,197,607)</u>
NET LOSS PER SHARE - basic and diluted	<u>(\$0.01)</u>	<u>(\$0.02)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
- basic and diluted	<u>57,840,611</u>	<u>57,840,611</u>

See accompanying notes to the financial statements.

For the years ended October 31,	2020 \$	2019 \$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the year	(470,813)	(1,197,607)
Interest income from loan receivable	(16,686)	(16,776)
Adjustments for charges (credits) not involving cash:		
Deferred salary (Note 12)	220,000	175,655
Share-option amortization expense	46,608	17,938
Deferred income tax recovery (Note 13(a))	-	(20,000)
Other amortization	<u>10,915</u>	<u>13,643</u>
	(209,976)	(1,027,147)
Changes in non-cash working capital balances:		
Amounts receivable	26,538	(15,721)
Prepaid expenses and deposits	4,860	(22)
Accounts payable and accrued liabilities	<u>(44,488)</u>	<u>5,528</u>
Cash flows used in operating activities	<u>(223,066)</u>	<u>(1,037,362)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income from loan receivable	16,686	16,776
Loan receivable	<u>1,314</u>	<u>1,224</u>
Cash flows from investing activities	<u>18,000</u>	<u>18,000</u>
(Decrease) in cash	(205,066)	(1,019,362)
Cash beginning of year	<u>294,262</u>	<u>1,313,624</u>
Cash end of year (Note 5)	<u><u>89,196</u></u>	<u><u>294,262</u></u>

See accompanying notes to the financial statements.

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

	Shares	Capital Stock	Equity Reserves Share Options	Deficit	Total
	#	\$	\$	\$	\$
	(Note 14(b))	(Note 14(b))	(Note 15)		
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	-	-	46,608	-	46,608
Net loss for the year	-	-	-	(470,813)	(470,813)
Balance October 31, 2020	57,840,611	19,694,005	3,363,792	(23,794,694)	(736,897)

See accompanying notes to the financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Olivut Resources Ltd. (the “Company” or “Olivut”) is engaged in the acquisition, exploration and evaluation of mineral properties for the purpose of mining diamonds and other precious and base minerals. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”). The head office is located at 27010 Hwy 16, 14 Mountain Park Properties, Jasper East, Alberta. These financial statements were reviewed, approved and authorized for issue by the Board of Directors on December 9, 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 regulations, 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.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

2. BASIS OF PRESENTATION

These annual 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").

These 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 financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Judgements and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Actual results could differ from those reported. Management believes that the estimates are reasonable.

The areas which require management to make significant judgements, estimates and assumptions in determining the reported amounts include, but are not limited to:

(i) Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(ii) Share-Based Payments

Management determines the value of share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques. These assumptions and judgements include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(iii) Contingencies

Refer to Note 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Use of Judgements and Estimates (Continued)

(iv) Impairment of Financial Assets

The recoverability of loans receivable is assessed when events occur indicating impairment. Recoverability is based on factors such as failure to pay interest on time and failure to pay the principal. An expected credit loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. See Note 3(m).

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances in accounts with banks and guaranteed investment certificates issued by Canadian chartered banks that are cashable or that have original maturities of three months or less.

(c) Currency Translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit and loss.

(d) Acquisition, Exploration, Evaluation and Development of Mineral Property Interests

Exploration and evaluation costs including property acquisition costs are expensed as incurred.

Development costs are expensed until it has been established that a mineral deposit is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company capitalizes expenditures subsequently incurred to develop the mine, prior to the start of mining operations.

(e) Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. The Company does not have any significant provisions as of October 31, 2020 or October 31, 2019.

(f) Rehabilitation Provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Rehabilitation Provision (Continued)

The obligation generally arises when the asset is installed or the ground and/or environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is expensed under exploration expenses. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of operations. The Company does not have any significant rehabilitation provisions as of October 31, 2020 or October 31, 2019.

(g) Equipment

Equipment is stated at acquisition cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of the consideration given to acquire or construct an asset and includes direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different lives, they are accounted for as separate items (major components) of equipment.

Equipment is amortized over the estimated useful lives of the assets on the declining balance basis using the following annual rates:

Drill rig	- 20% declining balance
Compressor	- 20% declining balance

The carrying value of equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the equipment's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell the equipment and the equipment's value in use.

(h) Flow-Through Financing

The proceeds from the issuance of common shares with flow-through tax benefits to the shareholders ("flow-through shares") are segregated as follows: the premium investors pay for the flow-through feature, if any, is recorded as a liability and included in accounts payable and accrued liabilities; the remaining net proceeds are recorded as share capital. Upon renunciation to the investor of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the liability previously recorded in accounts payable is reversed with any difference being recorded as a deferred tax recovery (expense). To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

(i) Share-Based Payments

Equity-settled share-based payments to directors, employees and consultants that meet the definition of an employee under IFRS are measured at the fair value of the equity instruments at the grant date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share-Based Payments (Continued)

The Company has a share option plan that provides for vesting of rights under the plan in tranches over a period of time. Each tranche is recognized on a graded-vesting basis over the period in which options vest and is recorded as a charge to operations and a credit to equity reserves. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. When options are exercised the consideration received plus the related share-based payments reserve is credited to share capital. The equity reserve relating to options cancelled or forfeited before vesting is credited to operations and after vesting directly to retained earnings (deficit).

Equity-settled share-based payment transactions with parties other than directors, employees and consultants that meet the definition of an employee under IFRS are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(j) Interest Income

Interest income is recognized on a time-proportion basis using the effective interest rate method.

(k) Taxation

(i) Current Tax

Income tax expense, if any, represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

(ii) Deferred Tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(l) (Loss) Per Share

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

Diluted (loss) per share is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options. The denominator is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all stock options with exercise prices below the average market price for the year.

For the years ended October 31, 2020 and 2019 all outstanding options were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

(m) Financial Instruments

Financial assets and liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other amounts receivable held for collection of contractual cash flows are measured at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial Instruments (Continued)

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statements of operations.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of operations. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of operations when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable and loan receivable, which are measured at amortized cost. At each reporting date, an assessment is made whether there is objective evidence that a financial asset is impaired based on expected credit loss information. For the Company’s financial assets measured at amortized cost, loss allowances are determined based on expected credit losses over the asset’s lifetime. Expected losses are an estimate of credit losses considering possible default events over the expected life of a financial asset. All impairment losses are recognized in the statements of operations. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

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

(m) Financial Instruments (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statements of operations.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of operations.

Fair Value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. **RECENT ACCOUNTING PRONOUNCEMENTS**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2020. 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 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Accounting changes

During the year ended October 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's financial statements.

5. CASH	October 31, 2020 \$	October 31, 2019 \$
Cash in accounts at Canadian chartered banks	89,196	294,262
6. AMOUNTS RECEIVABLE	October 31, 2020 \$	October 31, 2019 \$
GST input tax credit	544	27,082
7. PREPAID EXPENSES AND DEPOSITS	October 31, 2020 \$	October 31, 2019 \$
Insurance premiums	8,889	11,522
Deposit for future conference	-	2,227
	8,889	13,749

8. MINERAL PROPERTY AND EXPLORATION EXPENDITURES

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

On July 6, 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. The Option Payment was paid to Talmora on July 16, 2018. Thus, the Company exercised its option to earn 50% of the Seahorse Project in accordance with the terms of the Option Agreement. Olivut and Talmora are joint (50/50) owners of the assets. Talmora retains a 1% NSR on certain land. The Company and Talmora have not yet entered into a new formal joint venture company structure as contemplated in the Option Agreement.

8. MINERAL PROPERTY AND EXPLORATION EXPENDITURES (Continued)

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

	HOAM	Seahorse Project	Other ⁽³⁾	Total
	\$	\$	\$	\$
Total to October 31, 2018	14,967,938	412,602	949,088	16,329,628
Year ended October 31, 2019	33,755	801,443	-	835,198
Total to October 31, 2019	15,001,693	1,214,045 ^{(1),(2)}	949,088	17,164,826
Year ended October 31, 2020	50,147	21,776 ⁽²⁾	-	71,923
Total to October 31, 2020	15,051,840	1,235,821	949,088	17,236,749

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.

9. EQUIPMENT

	\$
Cost as at October 31, 2019 and October 31, 2020	<u>148,238</u>
Accumulated amortization October 31, 2018	80,022
Charge for the year	<u>13,643</u>
Accumulated amortization October 31, 2019	93,665
Charge for the year	<u>10,915</u>
Accumulated amortization as at October 31, 2020	<u>104,580</u>
Net book value as at October 31, 2019	54,573
Net book value as at October 31, 2020	43,658

10. LOAN RECEIVABLE

On May 25, 2007, the Company loaned \$250,000 to an unrelated corporation that is providing services to the Company. The loan bears interest at 7% per annum and is secured by a general security agreement covering all assets of the borrower. Repayment terms include monthly payments of interest and principal of \$1,500 with the balance due May 25, 2017. 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. A further extension was agreed to, extending the maturity for another 2 years to May 25, 2022. 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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2020	October 31, 2019
	<u>\$</u>	<u>\$</u>
Corporate payables and accrued liabilities (Note 12)	1,115,341	915,254
Exploration expense payables	<u>1,500</u>	<u>26,075</u>
	<u><u>1,116,841</u></u>	<u><u>941,329</u></u>

12. RELATED PARTY TRANSACTIONS

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

	Years ended October 31,	
	2020	2019
	<u>\$</u>	<u>\$</u>
Salaries and remuneration	220,000 ⁽¹⁾	223,500 ⁽¹⁾
Benefits	13,762	22,553
Share-option amortization expense	<u>25,819</u>	<u>11,782</u>
Total remuneration	<u><u>259,581</u></u>	<u><u>257,835</u></u>

Note 1: Salaries and remuneration expense includes a net accrued expense of \$220,000 (2019 - \$175,655) for salary earned by the President and CEO, which the President and CEO has elected to defer and which was unpaid as at October 31, 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 years ended October 31, 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 year ended October 31, 2020 a total of \$Nil (2019 - \$228,800) for exploration consulting expenditures, and \$9,600 (2019 - \$9,600) 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 16(b)) and an NSR agreement (Note 8).

12. 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	
	<u>October 31, 2020</u>	<u>October 31, 2019</u>
	\$	\$
Officers and directors	<u>1,100,315</u>	<u>903,286</u>

Included in the amount owing to officers and directors as at October 31, 2020 is \$1,094,414 (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.

13. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 25% (2019 – 25%) are as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Loss before income taxes	<u>(470,813)</u>	<u>(1,217,607)</u>
Expected income tax (benefit) based on statutory rates	(118,000)	(305,000)
Adjustments to benefit resulting from:		
Share-option amortization expense	12,000	4,000
Flow-through renunciation	-	(20,000)
Change in benefit of tax assets not recognized	<u>106,000</u>	<u>301,000</u>
Deferred income tax (recovery)	<u>-</u>	<u>(20,000)</u>

13. INCOME TAXES (Continued)

b) Deductible Temporary Differences

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Non-capital losses	1,867,000	1,930,000
Equipment	125,000	114,000
Share issue costs	25,000	37,000
Exploration properties	15,942,000	15,454,000
Total	<u>17,959,000</u>	<u>17,535,000</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Company can use the benefits.

c) Tax Loss Carry-Forwards

As at October 31, 2020, the Company had approximately \$200,000 of Canadian Development Expenditures, \$14,793,000 of Canadian Exploration Expenditures and \$949,000 of cumulative foreign resources expenses, which, under certain circumstances, may be utilized to reduce taxable income of future years. Also, as at October 31, 2020, the Company had approximately \$1,867,000 of non-capital losses in Canada, which, under certain circumstances, may be utilized to reduce taxable income in future years. These non-capital losses expire as follows:

<u>Year of Expiry</u>	<u>Amount</u>
2024	\$ 141,000
2025	258,000
2026	283,000
2027	132,000
2028	132,000
2029	121,000
2030	111,000
2031	110,000
2032	20,000
2033	119,000
2034	50,000
2035	104,000
2036	105,000
2037	95,000
2038	66,000
2039	20,000
	<u>\$1,867,000</u>

In addition, as at October 31, 2020, the Company had approximately \$321,000 of federal input tax credits, which, under certain circumstances, may be utilized to reduce federal income taxes in future years.

14. 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, 2018, 2019 and 2020	<u>57,840,611</u>	<u>19,694,005</u>

15. EQUITY RESERVES

Share options

	Number of Options	Weighted	Estimated
	#	Average Exercise	Amortized Grant
		Price	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	<u>-</u>	-	<u>17,938</u>
October 31, 2019	5,497,500	0.639	3,317,184
Share-option amortization expense on options granted	<u>-</u>		<u>46,608</u>
October 31, 2020	<u>5,497,500</u>	0.639	<u>3,363,792</u>

15. EQUITY RESERVES (Continued)

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. \$46,608 was charged to share-option amortization expense during the year ended October 31, 2020 (2019 - \$17,938).

The following is a summary of share options outstanding at October 31, 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	150,000	150,000	15,000	0.110
October 28, 2029 ⁽¹⁾	1,275,000	850,000	51,000	0.050
Total October 31, 2020	5,497,500	5,072,500	3,369,376	

Note 1: Options vest in three installments: 1/3 vested on April 29, 2020, 1/3 vested 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 year ended October 31, 2019 were valued using the following assumptions:

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

The share price used in the 2019 calculation is \$0.05, 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 October 31, 2020 is 4.6 years (October 31, 2019 – 5.7 years). The weighted average exercise price of options exercisable as at October 31, 2020 is \$0.6886 (October 31, 2019 - \$0.8257).

16. 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 that date, 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.

17. CAPITAL MANAGEMENT

There were no changes in the Company's approach to capital management during the years ended October 31, 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.

17. CAPITAL MANAGEMENT (Continued)

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 October 31, 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.

18. FINANCIAL RISK FACTORS

There were no changes the years ended October 31, 2020 or 2019 that occurred that were attributed to financial risk, other than those risk factors arising from the COVID-19 pandemic. 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 October 31, 2020, the Company had a cash balance of \$89,196 (October 31, 2019 - \$294,262) to settle accounts payable and accrued liabilities of \$1,116,841 (October 31, 2019 - \$941,329), which includes \$1,094,414 (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 October 31, 2020, 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, 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.

b) Credit Risk

The Company's credit risk is primarily attributable to cash, amounts receivable and a loan receivable. The Company has no significant credit risk arising from operations. Cash consists of bank deposits with Canadian chartered banks. The loan receivable as described in Note 10 is secured by all assets of the borrower.

18. FINANCIAL RISK FACTORS (Continued)

c) Market Risk

(i) Interest Rate Risk

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

(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.

e) Sensitivity to Financial Risks

The Company considers interest rate risk to be minimal. The loan receivable (Note 10) has a fixed interest rate of 7% and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on the cash held by the Company as at October 31, 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.

f) COVID-19

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.