



OLIVUT RESOURCES LTD.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED APRIL 30, 2021

(expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The attached condensed interim 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 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)

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As at:	April 30, 2021 \$	October 31, 2020 \$
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	410,658	89,196
Amounts receivable (Note 5)	-	544
Prepaid expenses and deposits (Note 6)	6,609	8,889
Current portion of loan receivable (Note 9)	<u>1,459</u>	<u>1,409</u>
TOTAL CURRENT ASSETS	418,726	100,038
EQUIPMENT (Note 8)	9,764	43,658
LOAN RECEIVABLE (Note 9)	<u>235,506</u>	<u>236,248</u>
TOTAL ASSETS	<u><u>663,996</u></u>	<u><u>379,944</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 10 and 11)	<u>1,170,142</u>	<u>1,116,841</u>
SHAREHOLDERS' (DEFICIENCY) EQUITY		
CAPITAL STOCK (Note 12(b))	20,089,029	19,694,005
EQUITY RESERVES		
Share options (Note 13)	3,369,376	3,363,792
DEFICIT	<u>(23,964,551)</u>	<u>(23,794,694)</u>
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY	<u>(506,146)</u>	<u>(736,897)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY	<u><u>663,996</u></u>	<u><u>379,944</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 2021 \$	Three months ended April 30, 2020 \$	Six months ended April 30 2021 \$	Six months ended April 30, 2020 \$
Exploration expenses (Note 7)	4,580	12,597	12,604	62,923
Administrative and general expenses (Note 11)	84,262	112,724	176,458	208,658
Share-option amortization expense (Notes 11 and 13)	2,730	15,934	5,584	32,447
Other amortization (Note 8)	<u>540</u>	<u>2,727</u>	<u>2,738</u>	<u>5,461</u>
Loss before the under-noted	(92,112)	(143,982)	(197,384)	(309,489)
Interest income	4,421	4,182	8,683	8,373
Gain on disposal of equipment	<u>18,844</u>	<u>-</u>	<u>18,844</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(68,847)</u>	<u>(139,800)</u>	<u>(169,857)</u>	<u>(301,116)</u>
NET LOSS PER SHARE - basic and diluted	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>(\$0.00)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
- basic and diluted	<u>62,840,611</u>	<u>57,840,611</u>	<u>61,404,147</u>	<u>57,840,611</u>

See accompanying notes to the unaudited condensed interim financial statements.

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

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	Three months ended April 30, 2021 \$	Three months ended April 30, 2020 \$	Six months ended April 30, 2021 \$	Six months ended April 30, 2020 \$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net loss for the period	(68,847)	(139,800)	(169,857)	(301,116)
Interest income from loan receivable	(4,151)	(4,174)	(8,308)	(8,354)
Gain on disposal of equipment	(18,844)	-	(18,844)	-
Adjustments for charges not involving cash:				
Deferred salary (Note 11)	55,000	55,000	60,630	110,000
Share-option amortization expense	2,730	15,934	5,584	32,447
Other amortization	540	2,727	2,738	5,461
	(33,572)	(70,313)	(128,057)	(161,562)
Changes in non-cash working capital balances:				
Amounts receivable	1,412	(951)	544	23,375
Prepaid expenses and deposits	5,805	19	2,280	7,140
Accounts payable and accrued liabilities	(15,658)	14,249	(7,329)	(42,251)
Cash flows used in operating activities	<u>(42,013)</u>	<u>(56,996)</u>	<u>(132,562)</u>	<u>(173,298)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of equipment	50,000	-	50,000	-
Interest income from loan receivable	4,151	4,174	8,308	8,354
Loan receivable	349	326	692	646
Cash flows from investing activities	<u>54,500</u>	<u>4,500</u>	<u>59,000</u>	<u>9,000</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Issue of common shares	-	-	400,000	-
Cost of issue	-	-	(4,976)	-
Cash flows from financing activities	<u>-</u>	<u>-</u>	<u>395,024</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	12,487	(52,496)	321,462	(164,298)
Cash and cash equivalents, beginning of period	<u>398,171</u>	<u>182,460</u>	<u>89,196</u>	<u>294,262</u>
Cash and cash equivalents, end of period (Note 4)	<u>410,658</u>	<u>129,964</u>	<u>410,658</u>	<u>129,964</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, 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)
Common shares issued	5,000,000	400,000	-	-	400,000
Share issue costs	-	(4,976)	-	-	(4,976)
Share-option amortization expense	-	-	5,584	-	5,584
Net loss for the period	-	-	-	(169,857)	(169,857)
Balance April 30, 2021	62,840,611	20,089,029	3,369,376	(23,964,551)	(506,146)

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 unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on June 9, 2021.

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 current 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 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, 2020 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, 2020.

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.

3. 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 unaudited condensed interim financial statements.

4. CASH AND CASH EQUIVALENTS

	April 30, 2021 \$	October 31, 2020 \$
Cash in accounts at Canadian chartered banks	67,408	89,196
Cash in guaranteed investment certificates Issued by a Canadian chartered bank	343,250	-
	<u>410,658</u>	<u>89,196</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**April 30, 2021**

(expressed in Canadian dollars)

5. AMOUNTS RECEIVABLE

	April 30, 2021	October 31, 2020
	\$	\$
GST input tax credit	-	544

6. PREPAID EXPENSES AND DEPOSITS

	April 30, 2021	October 31, 2020
	\$	\$
Insurance premiums	6,609	8,889

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 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"). 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.

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

	HOAM	Seahorse Project	Other ⁽³⁾	Total
	\$	\$	\$	\$
Total to October 31, 2020	15,051,840	1,235,821 ^{(1),(2)}	949,088	17,236,749
Six months ended April 30, 2021	9,080	3,524 ⁽²⁾	-	12,604
Total to April 30, 2021	15,060,920	1,239,345	949,088	17,249,353

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.

8. EQUIPMENT

	\$
Cost as at October 31, 2020	148,238
Cost of equipment sold in the period	<u>(56,950)</u>
Cost as at April 30, 2021	<u>91,288</u>
Accumulated amortization October 31, 2020	104,580
Charge for the period	2,738
Accumulated amortization charged on equipment sold in the period	<u>(25,794)</u>
Accumulated amortization as at April 30, 2021	<u>81,524</u>
Net book value as at April 30, 2021	9,764
Net book value as at October 31, 2020	43,658

On April 15, 2021, the Company sold used equipment to an unrelated company for \$50,000 in cash.

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. 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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>April 30, 2021</u>	<u>October 31, 2020</u>
	\$	\$
GST payable	1,203	-
Corporate payables and accrued liabilities (Note 11)	1,167,439	1,115,341
Exploration expense payables	<u>1,500</u>	<u>1,500</u>
	<u>1,170,142</u>	<u>1,116,841</u>

11. RELATED PARTY TRANSACTIONS

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

	Six months ended April 30,	
	2021	2020
	\$	\$
Salaries and remuneration	110,000 ⁽¹⁾	110,000 ⁽¹⁾
Benefits	12,758	7,272
Share-option amortization expense	3,072	18,030
Total remuneration	<u>125,830</u>	<u>135,302</u>

Note 1: Salaries and remuneration expense includes \$110,000 (2020 - \$110,000) for salary earned by the President and CEO, of which the President and CEO has elected to defer \$60,630 (2020-\$110,000) and which was unpaid as at April 30, 2021.

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, 2021 and 2020. 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, 2021 a total of \$4,800 (2020 - \$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	
	<u>April 30, 2021</u>	<u>October 31, 2020</u>
	\$	\$
Officers and directors	<u>1,156,189</u>	<u>1,100,315</u>

Included in the amount owing to officers and directors as at April 30, 2021 is \$1,155,044 (October 31, 2020 - \$1,094,414) 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

62,840,611 common shares

	Common Shares #	Amount \$
October 31, 2020	57,840,611	19,694,005
Private placement of common shares	5,000,000	400,000
Share issue costs		(4,976)
April 30, 2021	<u>62,840,611</u>	<u>20,089,029</u>

On December 22, 2020, the Company issued a total of 5,000,000 common shares at a price of \$0.08 per common share through a non-brokered private placement for aggregate gross proceeds of \$400,000.

13. EQUITY RESERVES

Share options

	Number of Options #	Weighted Average Exercise Price \$	Estimated Amortized Grant Date Fair Value of Options \$
October 31, 2020	5,497,500	0.639	3,363,792
Share-option amortization expense on options granted			<u>5,584</u>
April 30, 2021	<u>5,497,500</u>	0.639	<u>3,369,376</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. \$5,584 was charged to share-option amortization expense during the six months ended April 30, 2021 (2020 - \$32,447).

13. EQUITY RESERVES (Continued)

The following is a summary of share options outstanding at April 30, 2021:

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	1,275,000	51,000	0.050
Total April 30, 2021	5,497,500	5,497,500	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 vested on April 29, 2021.

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

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 April 30, 2021 is 4.4 years (October 31, 2020 – 4.6 years). The weighted average exercise price of options exercisable as at April 30, 2021 is \$0.6886 (October 31, 2020 - \$0.6886).

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 unaudited condensed interim financial statements.

14. COMMITMENTS AND CONTINGENCIES (Continued)

c) Flow-Through Shares

Pursuant to the issuance of common shares with flow-through tax benefits to the shareholders ("flow-through shares") in prior years, the Company renounced related qualified exploration expenditures for tax purposes.

The Company was required to expend the equivalent amount on qualified exploration expenditures within certain time periods. The Company believes it has expended the entire amount on qualified exploration expenditures within the required time periods.

The Company has indemnified the subscribers of all 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, 2021. 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, 2021, 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, 2021 or 2020 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 April 30, 2021, the Company had a cash and cash equivalents balance of \$410,658 (October 31, 2020 - \$89,196) to settle accounts payable and accrued liabilities of \$1,170,142 (October 31, 2020 - \$1,116,841), which includes \$1,155,044 (October 31, 2020 - \$1,094,414) 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, 2021, 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 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. The Company does not hold any balances in foreign currencies to give rise to foreign exchange risk.

16. FINANCIAL RISK FACTORS (Continued)

c) Market Risk (Continued)

(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 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, 2021, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$4,000 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.