



**OLIVUT RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**AS AT AND FOR THE SIX MONTHS ENDED APRIL 30, 2024**

**(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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	April 30, 2024 \$	October 31, 2023 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 4)	256,974	478,203
Amounts receivable	3,091	14,279
Prepaid expenses and deposits (Note 5)	26,687	11,749
Current portion of loan receivable (Note 8)	<u>232,265</u>	<u>709</u>
<b>TOTAL CURRENT ASSETS</b>	<b>519,017</b>	<b>504,940</b>
<b>EQUIPMENT</b> (Note 7)	<b>5,001</b>	<b>5,558</b>
<b>LOAN RECEIVABLE</b> (Note 8)	<u>-</u>	<u>232,409</u>
<b>TOTAL ASSETS</b>	<u><b>524,018</b></u>	<u><b>742,907</b></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 9 and 10)	68,031	19,213
<b>LONG TERM LIABILITIES</b>		
Promissory note (Note 10)	<u>-</u>	<u>1,331,003</u>
<b>TOTAL LIABILITIES</b>	<u><b>68,031</b></u>	<u><b>1,350,216</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 11(b))	20,676,130	20,676,130
<b>EQUITY RESERVES</b>		
Share options (Note 12)	291,019	286,737
<b>DEFICIT</b> (Note 10)	<u>(20,511,162)</u>	<u>(21,570,176)</u>
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<u><b>455,987</b></u>	<u><b>(607,309)</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>524,018</b></u>	<u><b>742,907</b></u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 6, 10 and 13)		
<b>GOING CONCERN</b> (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 COMPREHENSIVE INCOME AND LOSS**

(expressed in Canadian dollars)

	Three months ended April 30, 2024 \$	Three months ended April 30 2023 \$	Six Months Ended April 30, 2024	Six Months Ended April 30, 2023
Exploration expenses (Note 6)	22,951	6,147	64,260	(3,851)
Administrative and general expenses (Note 10)	92,748	92,348	217,067	204,854
Share-option amortization expense (Notes 10 and 12)	953	9,199	4,282	25,762
Other amortization (Note 7)	<u>278</u>	<u>347</u>	<u>557</u>	<u>695</u>
Loss before the under-noted	(116,930)	(108,041)	(286,166)	(227,460)
Gain on forgiveness of promissory note	-	-	1,331,003	-
Accretion expense on promissory note (Note 10)	-	(54,837)	-	(109,675)
Interest income	<u>6,925</u>	<u>7,784</u>	<u>14,177</u>	<u>12,414</u>
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<u>(110,005)</u>	<u>(155,094)</u>	<u>1,059,014</u>	<u>(324,721)</u>
<b>NET INCOME (LOSS) PER SHARE - basic and diluted</b>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>\$0.01</u>	<u>(\$0.00)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
- basic and diluted	<u>74,940,611</u>	<u>68,840,611</u>	<u>74,940,611</u>	<u>65,923,484</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, 2024 \$	Three months ended April 30, 2023 \$	Six months ended April 30, 2024 \$	Six months ended April 30, 2023 \$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss) for the period	(110,005)	(155,094)	1,059,014	(324,721)
Interest income from loan receivable	(4,070)	(4,099)	(8,147)	(8,205)
Adjustments for charges not involving cash:				
Gain on forgiveness of promissory note (Note 10)	-	-	(1,331,003)	-
Accretion expense on promissory note (Note 10)	-	54,837	-	109,675
Deferred salary (Note 10)	52,730	54,430	52,730	54,430
Share-option amortization expense	953	9,199	4,282	25,762
Other amortization	<u>278</u>	<u>347</u>	<u>557</u>	<u>695</u>
	(60,114)	(40,380)	(222,567)	(142,364)
Changes in non-cash working capital balances:				
Amounts receivable	2,884	(237)	11,188	(972)
Prepaid expenses and deposits	(12,842)	6,904	(14,938)	4,480
Accounts payable and accrued liabilities	<u>(39,994)</u>	<u>(2,808)</u>	<u>(3,912)</u>	<u>(5,412)</u>
<b>Cash flows used in operating activities</b>	<u>(110,066)</u>	<u>(36,521)</u>	<u>(230,229)</u>	<u>(144,268)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income from loan receivable	4,070	4,099	8,147	8,205
Loan receivable	<u>430</u>	<u>401</u>	<u>853</u>	<u>795</u>
<b>Cash flows from investing activities</b>	<u>4,500</u>	<u>4,500</u>	<u>9,000</u>	<u>9,000</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issue of common shares (Note 11)	-	-	-	300,000
Cost of issue (Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,754)</u>
	-	-	-	<u>298,246</u>
Increase (decrease) in cash	(105,566)	(32,021)	(221,229)	162,978
Cash, beginning of period	<u>362,540</u>	<u>382,864</u>	<u>478,203</u>	<u>187,865</u>
Cash, end of period (Note 4)	<u><u>256,974</u></u>	<u><u>350,843</u></u>	<u><u>256,974</u></u>	<u><u>350,843</u></u>

See accompanying notes to the unaudited condensed 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 11(b))	(Note 11(b))	(Note 12)		
Balance, October 31, 2022	<b>62,840,611</b>	<b>20,089,029</b>	<b>249,117</b>	<b>(21,107,945)</b>	<b>(769,799)</b>
Common shares issued	12,100,000	605,000	-	-	605,000
Share issue costs		(17,899)	-	-	(17,899)
Share-option amortization expense	-	-	37,620	-	37,620
Noteholder contribution (Note 10)	-	-	-	246,755	246,755
Net loss for the year	-	-	-	(708,986)	(708,986)
Balance October 31, 2023	<b>74,940,611</b>	<b>20,676,130</b>	<b>286,737</b>	<b>(21,570,176)</b>	<b>(607,309)</b>
Share-option amortization expense	-	-	4,282	-	4,282
Net income for the period	-	-	-	1,059,014	1,059,014
Balance April 30, 2024	<b>74,940,611</b>	<b>20,676,130</b>	<b>291,019</b>	<b>(20,511,162)</b>	<b>455,987</b>

See accompanying notes to the unaudited condensed financial statements

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## **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:OLV"). The head office is located at 27010 Hwy 16, 14 Mountain Park Properties, Jasper East, Alberta. These financial statements were reviewed, approved and authorized for issue by the Board of Directors on June 5, 2024.

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, the continued deferral of some or all of the President and CEO's salary 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 limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and/or to reach profitable levels of operation. Sustained global economic and political uncertainty could result in more costly or limited access to funding sources and there is no assurance that funds will be available on terms acceptable to the Company or at all. All of these factors indicate the existence of material uncertainties that 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, 2023 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, 2023.

**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 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, 2023.

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.

**4. CASH**

	<b>April 30, 2024</b>	<b>October 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Cash in accounts at Canadian chartered banks	<u>256,974</u>	<u>478,203</u>

**5. PREPAID EXPENSES AND DEPOSITS**

	<b>April 30, 2024</b>	<b>October 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Insurance premiums	<u>26,687</u>	<u>11,749</u>

**6. 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.

**6. 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"). 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 has 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. Exploration costs incurred during the period were financed 50% by each of the partners.

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

	HOAM	Seahorse Project <sup>(1)(2)</sup>	Other <sup>(3)</sup>	Total
	\$	\$	\$	\$
Total to October 31, 2023	15,107,750	1,365,717	949,088	17,422,555
Six months ended April 30, 2024	35,769	28,491	-	64,260
Total to April 30, 2024	15,143,519	1,394,208	949,088	17,486,815

Notes:

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

**7. EQUIPMENT**

Drill rig cost as at October 31, 2023, and April 30, 2024	91,288
Accumulated amortization October 31, 2023	85,730
Charge for the period	557
Accumulated amortization as at April 30, 2024	86,287
Net book value as at April 30, 2024	5,001
Net book value as at October 31, 2023	5,558

**8. 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. Two further extensions have been agreed to, extending the maturity for another 2 years each to May 25, 2022 and to May 25, 2024. 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. Management has assessed the collectability of the loan receivable and believes that there is no material expected credit loss at April 30, 2024. See Note 16 Subsequent event.



**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>April 30, 2024</b>	<b>October 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Corporate payables and accrued liabilities	66,531	19,213
Exploration expense payables	1,500	-
	<u>68,031</u>	<u>19,213</u>

**10. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended April 31, 2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Included in expenses:		
Salaries and remuneration expense	110,000 <sup>(1)</sup>	110,000 <sup>(1)</sup>
Benefits and insurance	15,771	15,448
Share-option amortization expense	<u>3,861</u>	<u>21,157</u>
Total remuneration	<u>129,632</u>	<u>146,605</u>

Note 1: Salaries and remuneration expense for the six months ended April 30, 2024 includes \$110,000 (2023 - \$110,000) for salary earned by the President and CEO, of which the President and CEO elected to defer \$52,730 (2023 - \$54,430) and which was unpaid as at April 30, 2024.

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, 2024 and 2023. 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, 2024 a total of \$Nil (2023 - \$677) for exploration expenses, and \$5,600 (2023 - \$4,800) for administrative and general expenses included in the statements of operations were accrued or paid to persons or companies related to or controlled by directors and officers of the Company. 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 13(b)) and an NSR agreement (Note 6).

**10. RELATED PARTY TRANSACTIONS (Continued)**

Promissory Note

On October 31, 2023 the Company's President and CEO agreed to continue to defer the amount owing for unpaid salary \$1,597,204 (October 31, 2022 - \$1,432,774). Due to the fact it was unlikely this amount would be paid within the following 12 months, it was reclassified for accounting purposes from accounts payable and accrued liabilities to a long-term liability, which liability was evidenced, but not settled, by way of a promissory note from the Company issued on October 31, 2022. The note was unsecured and carried no interest. As the interest rate was below the market rate for such a loan, which was estimated at 20%, based on consideration of comparable loans of other companies, there was a deemed benefit to the Company. As such the portion of the promissory note considered to represent that benefit was recorded in equity (deficit) as a noteholder contribution. The amount of the benefit was then recognized over the life of the promissory note as an accretion expense, for the six months ended April 30, 2024 \$Nil (2023 - \$109,675).

During the period ended January 31, 2024 the Company's President and CEO agreed to a modification of her employment contract which resulted in the forgiveness of the amounts owing under the promissory note as at October 31, 2023 in exchange for an arrangement that includes certain amounts that would become owing to the President and CEO upon the occurrence of certain events. Under this new arrangement, the President and CEO will receive up to approximately \$2,600,000 upon the occurrence of certain triggering events. As a triggering event has not taken place, these contingent payments have not been reflected in these unaudited condensed interim financial statements.

As a result of the forgiveness of the promissory note the Company recognized a gain of \$1,331,003 in the quarter ended January 31, 2024.

	\$
Issuance of undiscounted promissory note on October 31, 2022	1,432,774
Interest rate benefit recognized as a noteholder contribution	<u>(238,796)</u>
Balance October 31, 2022	1,193,978
Additional salary deferred	164,430
Accretion	219,350
Interest rate benefit recognized as a noteholder contribution	<u>(246,755)</u>
Balance October 31, 2023	1,331,003
Forgiveness of promissory note	<u>(1,331,003)</u>
Balance April 30, 2024	<u>Nil</u>

Amounts owing to the related parties are unsecured and non-interest bearing with no fixed terms of repayment.

## 11. CAPITAL STOCK

The capital stock is as follows:

### a) Authorized

Unlimited number of common shares without par value.

### b) Issued

74,940,611 common shares

	Common Shares #	Amount \$
October 31, 2023 and April 30, 2024	<u>74,940,611</u>	<u>20,676,130</u>

On January 27, 2023 the Company issued a total of 6,000,000 common shares at a price of \$0.05 per common share through a non-brokered private placement for aggregate gross proceeds of \$300,000.

On August 22, 2023 the Company issued a total of 6,100,000 common shares at a price of \$0.05 per common share through a non-brokered private placement for aggregate gross proceeds of \$305,000.

## 12. EQUITY RESERVES

### Share options

	Number of Options #	Weighted Average Exercise Price \$	Estimated Amortized Grant Date Fair Value of Options \$
October 31, 2023	5,810,000	0.659	286,737
Share-option amortization expense on options granted			<u>4,282</u>
Total outstanding April 30, 2024	<u>5,810,000</u>		<u>291,019</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, but not less than \$0.05 in accordance with TSXV rules 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.

**12. EQUITY RESERVES (Continued)**

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. \$4,282 was charged to share-option amortization expense during the six months ended April 30, 2024 (2023 - \$25,762).

The following is a summary of share options outstanding at April 30, 2024:

<b>Expiry Date</b>	<b>Outstanding Share Options #</b>	<b>Exercisable Share Options #</b>	<b>Estimated Grant Date Fair Value \$</b>	<b>Exercise Price \$</b>
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	1,275,000	1,275,000	51,000	0.050
June 27, 2032	2,545,000	2,545,000	67,934	0.050
August 30, 2033 <sup>(1)</sup>	100,000	-	5,361	0.065
<b>Total April 30, 2024</b>	<b>5,810,000</b>	<b>5,710,000</b>	<b>293,795</b>	

Note 1: Options vest in three installments: 1/3 vest August 30, 2024, 1/3 vest February 28, 2025 and 1/3 vest August 30, 2025.

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, 2022 and the year ended October 31, 2023, and were valued using the following assumptions:

	<b>Year ended</b>	
	<b>October 31, 2022</b>	<b>October 31, 2023</b>
Expected dividend yield	0%	0%
Risk-free interest rate	3.29%	4.68%
Expected volatility	75.26%	76.94%
Expected life	10 years	10 years

The share price used in the 2022 calculation is \$0.05, the minimum price allowed by the TSVX (the market price on the day prior to the granting of the options was \$0.035). The share price used in the 2023 calculation is \$0.065, the share price on the day prior to the option grant. 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, 2024 is 5.6 years (October 31, 2023 – 6.1 years). The weighted average exercise price of options exercisable as at April 30, 2024 is \$0.066 (October 31, 2023 - \$0.069).

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### **13. COMMITMENTS AND CONTINGENCIES**

a) Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international 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. Upon the occurrence of certain events such as a change in control, the contract requires payments of up to approximately \$2,600,000. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. (See Note 10).

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.

### **14. CAPITAL MANAGEMENT**

There were no changes in the Company's approach to capital management during the six months ended April 30, 2024. 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.

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**14. 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 a minimum activity level defined as exploration spending of \$100,000 during the past two years and 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, 2024, the Company believes that it is compliant with these policies of the TSXV.

**15. FINANCIAL RISK FACTORS**

There were no changes in the six months ended April 30, 2024 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, 2024, the Company had a cash and cash equivalents balance of \$256,974 to settle accounts payable and accrued liabilities of \$68,031. As at April 30, 2024, all of the Company's accounts payable and accrued 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 consists of bank deposits with Canadian chartered banks. The loan receivable as described in Note 8 is secured by all assets of the borrower.

**c) Market Risk****(i) Interest Rate Risk**

The Company may from time to time 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.

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**15. FINANCIAL RISK FACTORS (Continued)**

**c) Market Risk (Continued)**

**(ii) Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the foreign exchange risk from currency conversions is negligible. 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 8) has a fixed interest rate of 7% and the Company does not carry interest bearing debt. It is expected that future financings, if any, would be secured from equity placements rather than debt obligations. Based on the cash and cash equivalents held by the Company as at April 30, 2024, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$3,000 annually.

**16. SUBSEQUENT EVENT**

On May 25, 2024 the Company entered into a loan extension agreement with the borrower extending maturity of the loan receivable (Note 8) for a period of two years to May 25, 2026. All other terms and conditions remain unchanged.