



OLIVUT RESOURCES LTD.

FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

(expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Olivut Resources Ltd:

We have audited the accompanying financial statements of Olivut Resources Ltd., which comprise the statements of financial position as at October 31, 2018 and 2017, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Olivut Resources Ltd. as at October 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Olivut Resources Ltd. had continuing losses during the year ended October 31, 2018 and limited working capital as at October 31, 2018. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability of Olivut Resources Ltd. to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 5, 2018

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

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As at:	October 31, 2018 \$	October 31, 2017 \$
ASSETS		
CURRENT		
Cash and cash equivalents (Note 5)	1,313,624	80,000
Amounts receivable (Note 6)	11,361	1,080
Prepaid expenses and deposits (Note 7)	13,727	16,553
Current portion of loan receivable (Note 10)	<u>1,217</u>	<u>1,142</u>
TOTAL CURRENT ASSETS	1,339,929	98,775
EQUIPMENT (Note 9)	68,216	21,201
LOAN RECEIVABLE (Note 10)	<u>238,978</u>	<u>240,196</u>
TOTAL ASSETS	<u>1,647,123</u>	<u>360,172</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 11 and 12)	<u>780,146</u>	<u>598,842</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
CAPITAL STOCK (Note 14(b))	19,694,005	17,757,386
EQUITY RESERVES		
Share options (Note 15)	3,299,246	3,258,792
DEFICIT	<u>(22,126,274)</u>	<u>(21,254,848)</u>
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	<u>866,977</u>	<u>(238,670)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	<u>1,647,123</u>	<u>360,172</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,

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	2018 \$	2017 \$
Exploration expenses (Notes 8 and 12)	460,419	27,739
Administrative and general expenses (Note 12)	390,911	379,510
Share-option amortization expense (Notes 12 and 15)	40,454	916
Other amortization (Note 9)	<u>9,935</u>	<u>5,300</u>
Loss before the under-noted	(901,719)	(413,465)
Interest income from loans and receivables	<u>26,293</u>	<u>16,368</u>
Loss before income taxes	(875,426)	(397,097)
Deferred income tax recovery (Note 13(a))	<u>4,000</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(871,426)</u></u>	<u><u>(397,097)</u></u>
NET LOSS PER SHARE - basic and diluted	<u><u>(\$0.02)</u></u>	<u><u>(\$0.01)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
- basic and diluted	<u>47,833,346</u>	<u>40,946,672</u>

See accompanying notes to the financial statements.

OLIVUT RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)
FOR THE YEARS ENDED OCTOBER 31,

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	2018	2017
	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the year	(871,426)	(397,097)
Interest income from loan receivable	(15,454)	(15,898)
Adjustments for charges (credits) not involving cash:		
Share-option amortization expense	40,454	916
Deferred income tax recovery (Note 13(a))	(4,000)	-
Administrative and general expenses	-	(7,073)
Other amortization	<u>9,935</u>	<u>5,300</u>
	(840,491)	(413,852)
Changes in non-cash working capital balances:		
Amounts receivable	(10,281)	(238)
Prepaid expenses and deposits	2,826	(974)
Accounts payable and accrued liabilities	<u>161,304</u>	<u>226,255</u>
Cash flows used in operating activities	<u>(686,642)</u>	<u>(188,809)</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Purchase of equipment	(56,950)	-
Interest income from loan receivable	15,454	15,898
Loan receivable	<u>1,143</u>	<u>2,109</u>
Cash flows (used in) from investing activities	<u>(40,353)</u>	<u>18,007</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of common shares	1,908,000	-
Issue of flow-through shares	115,000	-
Cost of issue	<u>(62,381)</u>	<u>-</u>
Cash flows from financing activities	<u>1,960,619</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	1,233,624	(170,802)
Cash and cash equivalents, beginning of year	<u>80,000</u>	<u>250,802</u>
Cash and cash equivalents, end of year (Note 5)	<u>1,313,624</u>	<u>80,000</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, 2016	40,946,672	17,757,386	3,261,876	(20,861,751)	157,511
Options expired	-	-	(4,000)	4,000	-
Share-option amortization expense	-	-	916	-	916
Net loss for the year	-	-	-	(397,097)	(397,097)
Balance, October 31, 2017	40,946,672	17,757,386	3,258,792	(21,254,848)	(238,670)
Common shares issued	16,127,272	1,908,000	-	-	1,908,000
Flow-through shares issued	766,667	91,000	-	-	91,000
Share issue costs	-	(62,381)	-	-	(62,381)
Share-option amortization expense	-	-	40,454	-	40,454
Net loss for the year	-	-	-	(871,426)	(871,426)
Balance, October 31, 2018	57,840,611	19,694,005	3,299,246	(22,126,274)	866,977

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 5, 2018.

The Company is in the process of exploring properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current or future exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the ability of the Company to obtain financing, the preservation and confirmation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the carrying values and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of operations. Such adjustments could be material.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulatory social licensing requirements, unregistered prior agreements, native land claims and non-compliance with regulatory and environmental requirements. The Company's assets and operations are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The Company needs equity capital financing in order to explore and evaluate its properties and for working capital requirements (Note 18(a)). Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and/or to reach profitable levels of operation. There is no assurance that funds will be available on terms acceptable to the Company or at all. All of these indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

These audited financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Use of Judgements and Estimates (Continued)

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.

(iv) Impairment of Financial Assets

Refer to 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2018 or October 31, 2017.

(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.

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 material rehabilitation provisions as of October 31, 2018 or October 31, 2017.

(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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Equipment (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

(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.

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, 2018 and 2017 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 instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; or
- available-for-sale investments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial Instruments (Continued)

Financial liabilities are classified into the following categories at their initial recognition:

- financial liabilities at fair value through profit or loss; or
- other financial liabilities.

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability.

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method. Financial liabilities measured at fair value through profit or loss are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company; or
- when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations are discharged, cancelled, or expire.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of all financial assets is reduced by any impairment loss, with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in the statement of operations.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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 annual periods beginning on or after November 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

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

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

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

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

4. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

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

5. CASH AND CASH EQUIVALENTS

	October 31, 2018	October 31, 2017
	\$	\$
Cash in accounts at Canadian chartered banks	19,278	80,000
Cash in Guaranteed Investment Certificates issued by a Canadian Chartered Bank	1,294,346	-
	<u>1,313,624</u>	<u>80,000</u>

6. AMOUNTS RECEIVABLE

	October 31, 2018	October 31, 2017
	\$	\$
GST input tax credit	11,361	1,080
	<u>11,361</u>	<u>1,080</u>

7. PREPAID EXPENSES AND DEPOSITS

	October 31, 2018	October 31, 2017
	\$	\$
Insurance premiums	11,740	16,553
Deposit for future conference	1,987	-
	<u>13,727</u>	<u>16,553</u>

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 Canada's Northwest Territories, by spending \$1,200,000 over two years on exploration expenditures and making a \$200,000 payment to Talmora. Olivut is the operator during the option period. This interest is subject to a 1% NSR on certain land.

During the year ended October 31, 2018, the Company incurred \$460,419 (2017 - \$27,739) on exploration expenditures. Cumulative exploration expenditures made by the Company as at October 31, 2018 total \$16,329,628 (at October 31, 2017 - \$15,869,209). This cumulative total represents \$14,967,938 spent on the HOAM Project (October 31, 2017 - \$14,920,121), \$412,602 spent on the Seahorse Project which included a \$200,000 payment to Talmora in accordance with the terms of the Option Agreement (October 31, 2017 - \$Nil), and amounts spent in prior years on other projects where the Company's interests have been terminated.

During 2017 certain of the HOAM Project claims were allowed to expire.

9. EQUIPMENT

	\$
Cost as at October 31, 2016 and 2017	91,288
Additions, 2018	56,950
Cost as at October 31, 2018	148,238
Accumulated amortization as at October 31, 2016	64,787
Charge for the year, 2017	5,300
Accumulated amortization October 31, 2017	70,087
Charge for the year, 2018	9,935
Accumulated amortization as at October 31, 2018	80,022
Net book value as at October 31, 2017	21,201
Net book value as at October 31, 2018	68,216

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2018 \$	October 31, 2017 \$
Corporate payables and accrued liabilities (Note 12)	743,067	594,972
Flow-through premium (Note 14(b))	20,000	-
Exploration expense payables	17,079	3,870
	780,146	598,842

12. RELATED PARTY TRANSACTIONS

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

	Years ended October 31,	
	2018 \$	2017 \$
Salaries and remuneration	227,000 ⁽¹⁾	221,500 ⁽¹⁾
Benefits	26,726	19,798
Share-option amortization expense	25,517	577
Total remuneration	279,243	241,875

Note 1: Salaries and remuneration expense includes a net accrued expense of \$134,912 (2017 - \$220,000) 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, 2018.

12. RELATED PARTY TRANSACTIONS (Continued)

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, 2018 and 2017. 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 years ended October 31, 2018 a total of \$57,000 (2017 - \$Nil) for exploration consulting expenditures, and \$9,600 (2017 - \$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).

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, 2018</u>	<u>October 31, 2017</u>
	\$	\$
Officers and directors	<u>718,452</u>	<u>576,740</u>

Included in the amount owing to officers and directors as at October 31, 2018 is \$698,759 (October 31, 2017 - \$563,847) representing unpaid salary and vacation pay owing to the Company's President and CEO. During the year ended October 31, 2018, salary of \$220,000 was accrued and a payment of \$85,088 was made resulting in an increase in the amount payable of \$134,912.

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% (2017 – 25%) are as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Loss before income taxes	<u>(875,426)</u>	<u>(397,097)</u>
Expected income tax (benefit) based on statutory rates	(219,000)	(100,000)
Adjustments to benefit resulting from:		
Share-option amortization expense	10,000	-
Flow-through renunciation	(4,000)	-
Other	(3,000)	-
Change in benefit of tax assets not recognized	<u>212,000</u>	<u>100,000</u>
Deferred income tax (recovery)	<u>(4,000)</u>	<u>(-)</u>

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>2018</u>	<u>2017</u>
	\$	\$
Non-capital losses	1,864,000	1,785,000
Equipment	101,000	90,000
Share issue costs	96,000	127,000
Exploration properties	<u>14,390,000</u>	<u>13,554,000</u>
Total	<u>16,451,000</u>	<u>15,556,000</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.

13. INCOME TAXES (Continued)

c) Tax Loss Carry-Forwards

As at October 31, 2018, the Company had approximately \$200,000 of Canadian Development Expenditures, \$13,240,000 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, 2018, the Company had approximately \$1,864,000 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	\$ 145,000
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	79,000
	<u>\$1,864,000</u>

In addition, as at October 31, 2018, 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.

14. CAPITAL STOCK (Continued)

b) Issued

57,840,611 common shares

A summary of changes during the year ended October 31, 2018 are as follows:

	Common Shares	Amount
	#	\$
Balance, October 31, 2017 and 2016	40,946,672	17,757,386
Private placement of common shares	16,893,939	2,023,000
Premium for flow-through tax benefits	-	(24,000)
Share issue costs	-	(62,381)
	<u>57,840,611</u>	<u>19,694,005</u>
Balance, October 31, 2018	<u>57,840,611</u>	<u>19,694,005</u>

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

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

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

15. EQUITY RESERVES

Share options	Number of Options #	Weighted Average Exercise Price \$	Estimated Amortized Grant Date Fair Value of Options \$
October 31, 2016	3,462,500	0.979	3,261,876
Options granted	650,000	0.075	-
Options expired	(40,000)	(0.110)	(4,000)
Share-option amortization expense on options granted	-	-	916
October 31, 2017	4,072,500	0.989	3,258,792
Options granted	150,000	0.110	-
Share-option amortization expense on options granted	-	-	40,454
October 31, 2018	<u>4,222,500</u>	0.989	<u>3,299,246</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. \$40,454 was charged to share-option amortization expense during the year ended October 31, 2018 (2017 - \$916).

The following is a summary of share options outstanding at October 31, 2018:

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	433,334 ⁽¹⁾	45,500	0.075
October 16, 2028	150,000	- ⁽²⁾	15,000	0.110
Total October 31, 2018	<u>4,222,500</u>	<u>3,855,834</u>	<u>3,318,376</u>	

Note 1: Options vest in three installments: 1/3 vested on April 25, 2018, 1/3 vested on October 25, 2018 and the remaining 1/3 vest on April 25, 2019.

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

15. EQUITY RESERVES (Continued)

The estimated grant date fair value is calculated using the Black-Scholes option pricing model. Options granted in the years ended October 31, 2018 and 2017 were valued using the following assumptions:

	2018	2017
Expected dividend yield	0%	0%
Risk-free interest rate	2.49%	1.92%
Expected volatility	93.8%	99.7%
Expected life	10 years	10 years

The share price used in the calculation is \$0.11 (2017 - \$0.075), 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, 2018 is 5.3 years (October 31, 2017 – 6.2 years). The weighted average exercise price of options exercisable as at October 31, 2018 is \$0.8864 (October 31, 2017 - \$0.9892).

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 will renounce \$100,000 of qualified exploration expenditures with an effective date of December 31, 2018.

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

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

The Company is required to expend this amount on qualified exploration expenditures by December 31, 2018. As of October 31, 2018, the Company believes it has expended this entire amount on qualified exploration expenditures.

16. COMMITMENTS AND CONTINGENCIES (Continued)

c) Flow-Through Shares (Continued)

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that may become payable by the subscribers as a result of the Company not meeting the expenditure commitment.

d) Operating Lease

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

Year	Amount \$
2019	2,772
2020	2,772
2021	1,386
	<u>6,930</u>

17. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration properties. The capital of the Company consists of capital stock and equity reserves. The Board of Directors does not establish quantitative return on capital criteria for the Company's management, but rather relies on the expertise of management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. Accordingly, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for its administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if reasonably available. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended October 31, 2018 or 2017. 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, 2018, the Company is compliant with these policies of the TSXV.

18. FINANCIAL RISK FACTORS

There were no changes in the years ended October 31, 2018 or 2017 that occurred that were attributed to financial risk. The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

a) Liquidity Risk

As at October 31, 2018, the Company had a cash and cash equivalents balance of \$1,313,624 (October 31, 2017 - \$80,000) to settle accounts payable and accrued liabilities of \$780,146 (October 31, 2017 - \$598,842) which includes \$698,759 (October 31, 2017 - \$563,847) 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, 2018, all of the Company's financial liabilities have contractual maturities of less than one year, with the exception of the equipment lease as described in Note 16(d). The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing and the continued deferral of some or all of the President and CEO's salary. Although the Company has been successful in the past in obtaining financing, there can be no assurance that additional funding will be available, or available under terms favourable to the Company, or that the President and CEO will continue to elect to defer some or all of her salary. The Company will need to rely on new sources of equity financing, if available, to meet its ongoing working capital requirements. Failure to obtain additional financing would result in delay or the indefinite postponement of further exploration and the development of the Company's properties, as well as the loss of prospecting permits and/or mineral claims and the risk of the Company failing to continue as a going concern.

b) Credit Risk

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

c) Market Risk

(i) Interest Rate Risk

The Company's current policy is to invest its cash and cash equivalents balances in investment-grade short-term guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company considers interest rate risk to be minimal. The loan receivable is at a fixed interest rate and it is expected that future financings, if any, would be secured from equity placements rather than debt obligations.

(ii) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the foreign exchange risk from currency conversions is negligible.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity prices. Although the Company has no influence on commodity prices, it closely monitors commodity prices to determine appropriate courses of action.

18. FINANCIAL RISK FACTORS (Continued)

d) Fair Value

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Cash, amounts receivable and the loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for cash, amounts receivable, accounts payable and accrued liabilities on the statements of financial position approximate fair value because of the limited terms of these instruments. The fair value of the loan receivable approximates carrying value as the interest rate approximates the current rate for similar instruments.

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

e) Sensitivity to Financial Risks

The Company considers interest rate risk to be minimal. The loan receivable (Note 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 and cash equivalents held by the Company as at October 31, 2018, a 1% increase or decrease in the interest rate would generate a respective increase or decrease in interest income of approximately \$13,000 annually.

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

Price risk is remote since the Company is not a producing entity.