

NOVO RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Novo Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Novo Resources Corp. ("the Company"), which comprise the consolidated statements of financial position as at January 31, 2019 and 2018 and the related consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion & Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Bryndon Kydd.

BDO CANADA LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 18, 2019

Novo Resources Corp.
(Expressed in Canadian Dollars)
Consolidated Statements of Financial Position

	Note	January 31, 2019 \$'000	January 31, 2018 \$'000
ASSETS			
Current assets			
Cash		42,832	55,601
Short-term investments	3	93	13,918
Receivables	4	1,160	1,024
Prepaid expenses and deposits		297	290
Total current assets		44,382	70,833
Non-current assets			
Property, plant and equipment	7	1,283	993
Exploration and evaluation assets	6	104,108	77,874
Gold specimens	6	159	-
Marketable securities	5	6,733	2,135
Total non-current assets		112,283	81,002
Total assets		156,665	151,835
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		4,593	1,767
Total current liabilities		4,593	1,767
Non-current liabilities			
Deferred consideration for mineral property	6,11	5,819	6,384
Total non-current liabilities		5,819	6,384
Total liabilities		10,412	8,151
SHAREHOLDERS' EQUITY			
Share capital	8	176,286	161,786
Reserves	8	22,064	13,761
Shares to be issued	8	-	1,141
Accumulated other comprehensive loss		(4,319)	(23)
Accumulated deficit		(47,778)	(32,981)
Total shareholders' equity		146,253	143,684
Total shareholders' equity and liabilities		156,665	151,835

These consolidated financial statements are authorized for issue by the Board of Directors on April 18, 2019. They are signed on the Company's behalf by:

"Akiko Levinson"
Akiko Levinson

"Michael Barrett"
Michael Barrett

Novo Resources Corp.
(Expressed in Canadian Dollars)
Consolidated Statements of Comprehensive Loss

		Year Ended January 31,	
		2019	2018
		\$'000	\$'000
Expenses	Note		
Accounting and audit		736	435
Consulting services	9	425	1,831
Insurance		195	105
Legal fees		600	194
Meal and travel expenses		528	184
Office and general		1,482	1,026
Share-based payments	8,9	8,944	11,699
Transfer agent and filing fees		305	339
Wages and salaries	9	4,168	1,599
Impairment of mineral property	6	3,218	434
Loss before other items		<u>(20,601)</u>	<u>(17,846)</u>
Other items			
Interest and other income		1,020	216
Foreign exchange		12	(16)
Deferred consideration accretion expense		(42)	-
Fair value gain on derecognition of associate	5	4,315	-
Unrealized gain/(loss) on deferred consideration for mineral properties	6	499	(139)
		<u>5,804</u>	<u>61</u>
Net loss for the period		<u>(14,797)</u>	<u>(17,785)</u>
Other comprehensive (loss) / income			
Change in fair value of marketable securities	5	(867)	(169)
Foreign exchange on translation of subsidiaries		(3,429)	494
		<u>(4,296)</u>	<u>325</u>
Comprehensive loss for the period		<u>(19,093)</u>	<u>(17,460)</u>
Weighted average number of common shares outstanding		<u>160,359,196</u>	<u>124,270,351</u>
Basic and diluted loss per common share		<u>(0.12)</u>	<u>(0.14)</u>

Novo Resources Corp.
(Expressed in Canadian Dollars)
Consolidated Statements of Changes in Equity

							Accumulated Other Comprehensive	Accumulated	Shareholders'
	Note	Number of Shares	Amount \$'000	Option Reserve \$'000	Warrant Reserve \$'000	Shares to be Issued \$'000	Income/(Loss) \$'000	Deficit \$'000	Equity \$'000
Balance - January 31, 2017		93,029,820	50,365	3,071	67	-	(348)	(15,196)	37,959
Stock option exercises	8	2,025,000	2,407	(1,028)	-	-	-	-	1,379
Share-Based payments	8	-	-	11,699	-	-	-	-	11,699
Brokered private placement	8	22,727,350	15,000	-	-	-	-	-	15,000
Share issuance costs	8	-	(1,543)	-	477	-	-	-	(1,066)
Warrant exercises	8	15,818,598	15,470	-	(525)	-	-	-	14,945
Non-brokered private placement	8	14,000,000	56,000	-	-	-	-	-	56,000
Share issuance costs	8	-	(7)	-	-	-	-	-	(7)
Shares to be issued for consulting fee	8,11	-	-	-	-	1,141	-	-	1,141
Issuance of shares for Artemis Joint Venture	6	4,000,000	16,480	-	-	-	-	-	16,480
Issuance of shares for Welcome Exploration property	6	500,000	2,500	-	-	-	-	-	2,500
Issuance of shares for Comet Well mineral properties	6	1,550,000	5,114	-	-	-	-	-	5,114
Other comprehensive gain for the period		-	-	-	-	-	325	-	325
Loss for the period		-	-	-	-	-	-	(17,785)	(17,785)
Balance - January 31, 2018		153,650,768	161,786	13,742	19	1,141	(23)	(32,981)	143,684
Stock option exercises	8	615,000	1,385	(641)	-	-	-	-	744
Share-based payments	8	-	-	8,944	-	-	-	-	8,944
Warrant exercises	8	7,125,439	7,223	-	-	-	-	-	7,223
Shares issued for partial redemption of Comet Well NSR	6	138,946	588	-	-	-	-	-	588
Creasy share issuance	8	1,000,000	1,141	-	-	(1,141)	-	-	-
Pioneer share issuance	6	100,000	404	-	-	-	-	-	404
Acquisition of Farno-McMahon	6	1,252,895	3,759	-	-	-	-	-	3,759
Other comprehensive gain for the period		-	-	-	-	-	(4,296)	-	(4,296)
Loss for the period		-	-	-	-	-	-	(14,797)	(14,797)
Balance - January 31, 2019		163,883,048	176,286	22,045	19	-	(4,319)	(47,778)	146,253

Novo Resources Corp.
(Expressed in Canadian Dollars)
Consolidated Statements of Cash Flows

	Year ended January 31,	
	2019	2018
	\$'000	\$'000
Operating activities		
Net loss for the period	(14,797)	(17,785)
Adjustments:		
Interest and other income	(1,020)	(216)
Impairment of mineral property	3,218	434
Depreciation	134	56
Foreign exchange	(80)	493
Share-based payment	8,944	11,699
Unrealised loss / (gain) on deferred consideration for mineral property	(499)	139
Fair value gain on derecognition of associate	(4,315)	-
Deferred consideration accretion expense	42	-
Shares to be issued for consulting fee	-	1,141
Total adjustments	6,424	13,746
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	1,509	2,452
Prepaid expenses and deposits	(7)	29
Receivables	(137)	(528)
	1,365	1,953
Net cash used in operating activities	(7,008)	(2,085)
Investing activities		
Interest and other income	1,020	216
Purchase of equipment	(416)	(562)
Short-term deposits	13,825	(13,783)
Purchase of marketable securities	(1,120)	(1,477)
Purchase of gold specimens	(159)	-
Expenditures on exploration and evaluation assets	(26,174)	(14,768)
Net cash used in investing activities	(13,024)	(30,374)
Financing activities		
Issuance of share capital	7,968	87,323
Share issuance cost	-	(1,073)
Net cash from financing activities	7,968	86,250
Net change in cash	(12,064)	53,791
Effect of exchange rate changes on cash	(705)	-
Cash, beginning of the period	55,601	1,810
Cash, end of the period	42,832	55,601

Supplemental cash flow information (Note 10)

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

1. NATURE OF OPERATIONS

Novo Resources Corp. (the “Company” or “Novo”) was incorporated on October 28, 2009 pursuant to the provisions of the *Business Corporations Act* (British Columbia) as Galliard Resources Corp. On June 27, 2011, the Company changed its name from Galliard Resources Corp. to Novo Resources Corp. The Company’s shares trade on the TSX Venture Exchange (the “TSX-V”) under the ticker symbol “NVO” and in the United States on the OTC market’s OTCQX International Exchange under the symbol “NSRPF”.

The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties with a focus on gold. The Company’s head office is located at Suite 2900, 595 Burrard Street, Vancouver, British Columbia, V7X 1J5, Canada. The Company’s operational office and corporate staff are located at Level 1, 680 Murray Street, West Perth, Western Australia, 6005, Australia.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements 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 Interpretation Committee (“IFRIC”).

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss (“FVTPL”), and fair value through other comprehensive income or loss (“FVTOCI”), that have been measured at fair value. These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated and per share amounts are not rounded.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed within this note.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or during the period of the revision and further periods if the review affects both current and future periods.

Australian dollars will be referred to as “AUD”, and United States dollars will be referred to as “USD” in these consolidated financial statements.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries listed below. Control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquiror’s returns. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

As at January 31, 2019, the subsidiaries of the Company are as follows:

Company Name	Area of Incorporation	% of Interest
Novo Resources (USA) Corp.	Nevada, USA	100%
Conglomerate Gold Exploration (B.V.I.) Ltd.	Tortola, British Virgin Islands	100%
Karratha Gold Exploration (B.V.I.) Ltd.	Tortola, British Virgin Islands	100%
Conglomerate Gold Exploration Pty. Ltd. ("CGE")	Western Australia, Australia	100%
Nullagine Gold Pty. Ltd. ("Nullagine Gold")	Western Australia, Australia	100%
Beatons Creek Gold Pty. Ltd.	Western Australia, Australia	100%
Grant's Hill Gold Pty. Ltd.	Western Australia, Australia	100%
Karratha Gold Pty. Ltd. ("Karratha Gold")	Western Australia, Australia	100%
Rocklea Gold Pty. Ltd.	Western Australia, Australia	100%
Meentheena Gold Pty. Ltd. ("Meentheena")	Western Australia, Australia	100%
Farno-McMahon Pty. Ltd. ("Farno")	South Australia, Australia	100%

Change in accounting policies – financial instruments

IFRS 15 – revenue from contracts with customers

IFRS 15 has replaced IAS 18 *Revenue*, IAS 11 *Construction contracts*, and related interpretations on revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018. There is no impact on the Company's consolidated financial statements considering the Company does not currently have any contracts with customers or revenues.

IFRS 9 – financial instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of February 1, 2018. IFRS 9 has replaced IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets on transition date. The main area of change is the accounting for certain equity securities previously classified as fair value through other comprehensive income.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at FVTPL, at FVTOCI, or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the date of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or when the Company has opted to measure them at FVTPL.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018**

The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (IAS 39)	New classification (IFRS 9)
Cash	Amortized cost	Amortized cost
Short-term investments	Amortized cost	Amortized cost
Marketable securities	Available for sale	FVTOCI
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Deferred consideration for mineral property – Share portion	FVTPL	FVTPL
Deferred consideration for mineral property – Cash portion	Amortized cost	Amortized cost

Upon the adoption of IFRS 9, the Company made an irrevocable election to classify marketable securities as FVTOCI given they are not held for trading and are instead held as strategic investments that align with the Company's corporate objectives.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income or loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive income or loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net loss.

Joint operations

A joint arrangement is an arrangement in which two or more parties have joint control. The Company determines the type of joint arrangement in which it is involved based on the rights and obligations of the parties to the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Joint control is the contractually agreed sharing of an arrangement, which exists only when decisions about the relevant activities require consent of the parties sharing control based on their relevant interests in the arrangement. None of the parties involved have unilateral control of a joint operation. The Company accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. This assessment is to be performed on a continuous basis.

Investment in associates

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of profit or loss and other comprehensive income or loss, except that losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to fund those losses.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets and liabilities acquired is capitalized and included in the carrying amount of the associate. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income or loss. Such adjustments to the carrying amount are charged to comprehensive loss as a gain or loss on dilution in the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

NOVO RESOURCES CORP.

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Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

Foreign currency translation

The functional currency of each of the Company's subsidiaries has been determined to be the local currency of their home jurisdictions. Each component's functional currency is the currency of the primary economic environment in which the component operates. The Company's consolidated financial statements are presented in Canadian dollars.

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the reporting period. The exchange differences arising on consolidation are recognized in other comprehensive income or loss. On disposal of a foreign operation, the component of other comprehensive income or loss relating to that particular foreign operation is reclassified to profit or loss.

Foreign currency transactions

Transactions in foreign currencies are recorded at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate in effect at that date. Realized and unrealized exchange gains and losses are recognized through comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exploration and evaluation assets

The Company is in the exploration and evaluation stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of, mineral properties and crediting all proceeds received against the cost of the related properties. At such time as commercial production commences, these costs will be charged to comprehensive loss on a unit-of-production basis.

The aggregate costs related to abandoned mineral properties are charged to comprehensive loss at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in comprehensive loss any costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Gold Specimens

The Company records the value of the gold nuggets at cost on the date of purchase as would be typical of the accounting method for gold doré by producing companies.

NOVO RESOURCES CORP.

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Notes to the Consolidated Financial Statements

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Impairment of non-financial assets

Exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the exploration and evaluation asset is not expected to be recovered, it is charged to the results of comprehensive loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability in the year in which the obligation is incurred. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations at January 31, 2019 and 2018.

Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes option pricing model.

Share-based payment transactions with performance-based vesting conditions are measured at the fair value of the options granted at the date of issuance, and they are remeasured at every reporting period throughout the deemed life of the share-based payment based on management estimates of vesting timeframes. Management also adjusts the cumulative share-based payment expense based on the number of options expected to vest under the vesting conditions.

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Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

Property, plant and equipment and depreciation

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the

estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and property and equipment is amortized over their estimated useful lives using the following methods:

Furniture and equipment	5 years straight-line
Mining equipment	5 years straight-line
Exploration camp	5 years straight-line
Vehicles	5 years straight-line

Government grants

From time to time the Company receives government incentive programs such as investment tax credits and research and development tax refunds. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects. For equity offerings of units consisting of a common share and warrants, when both instruments are classified as equity, the Company does not bifurcate the proceeds between the common share and the other equity instrument.

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Significant accounting judgements and estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are periodically evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

Judgements

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Recoverability of exploration and evaluation assets

The amounts shown as exploration and evaluation assets represent net costs to date, less amounts amortized and/or written off and refunds or option payments received, and do not necessarily represent present or future values. The recoverability of these amounts and any additional amounts required to place the exploration and evaluation assets into commercial production are dependent upon certain factors. These factors include the existence of ore deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its exploration and evaluation assets.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Determining if an acquisition is a business combination or an asset acquisition

As required by IFRS 3 *Business Combinations* ("IFRS 3"), the Company is required to determine whether the acquisition of Farno should be accounted for as a business combination or an asset acquisition. Under IFRS 3, the components of a business must include inputs, processes and outputs. Management has determined that the acquisition of Farno did not include all the necessary components of a business. Accordingly, the acquisition of Farno has been recorded as an asset acquisition, consisting of Farno's mineral properties and working capital.

Identifying the acquirer in an acquisition

As required by IFRS 3 and IFRS 10 *Consolidated Financial Statements*, the Company is required to determine whether it is the acquirer or acquiree in the Farno acquisition. The acquirer is the entity that contains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interests. Management has determined that Meentheena is the acquirer of Farno.

Determination of asset and liability fair values

Business combinations require judgement and estimates to be made at the date of acquisition in relation to determining asset and liability fair values. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgements and estimates about future events, including but not limited to estimates of mineral resources acquired, exploration potential, future operating costs and capital expenditures.

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Determination of significant influence

As required by IFRS 12 *Disclosure of interests in other entities*, management has applied judgements in determining whether it has significant influence over its investments. In making this judgement, management has considered the following factors to determine whether significant influence exists:

- Percentage of voting rights of the investee held by the Company;
- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the Company and the investee;
- Interchange of managerial personnel; and/or
- Provision of essential technical information.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Share-based payments

The value of share-based payments is determined using the Black-Scholes option pricing model, the use of which requires management to apply subjective assumptions such as the expected price volatility, expected life of the option, risk free interest rates, and forfeiture rates. Changes in these input assumptions can significantly affect the fair value estimate. Performance-based vesting conditions also

require subjective assumptions with respect to vesting timeframes. Changes in these input assumptions can also significantly affect the fair value estimate.

Marketable securities

The value of the shares held of Elementum 3D Inc. ("E3D") (formerly known as Sinter Print Inc.), is determined using the last financing price used by E3D to raise funds for its operations. E3D is not a listed company so management is required to apply subjective assumptions such as a fair value per share in order to determine E3D's fair value. Changes to E3D's fair value per share can significantly affect the fair value estimate.

New standards, interpretations and amendments

The following are accounting standards anticipated to be effective January 1, 2019 or later:

IFRS 16 Leases ("IFRS 16")

IFRS 16 will replace IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after January 1, 2019, with early application permitted. Mineral property leases are not within the scope of IFRS 16. The Company does not expect this new standard to have significant financial reporting implications, as currently any lease agreements entered into within the scope of IFRS 16 are immaterial.

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3. SHORT-TERM INVESTMENTS

Short-term investments are fixed term deposits held at the bank with a maturity of more than three months but no more than one year and are cashable at any time or locked for a period of no more than six months. As at January 31, 2019, the Company had three short-term investments totalling \$93 of principal (January 31, 2018 – five short-term investments totalling \$13,918).

\$35 is held in one short-term investments denominated in Canadian funds, and the remaining \$58 is held in two short-term investments denominated in Australian funds. The Canadian short-term investment is due on February 19, 2019 and has an annual yield of 0.9%. Details regarding the Australian short-term investments are as follows:

<u>Annual Yield</u>	<u>Maturity Date</u>
1.90%	May 16, 2019
2.30%	July 21, 2019

Amounts which mature are re-invested in similar investments along with their interest component.

4. RECEIVABLES

	<u>January 31, 2019</u>	<u>January 31, 2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Canadian GST receivable	89	96
Australian GST receivable	1,071	928
Total receivables	1,160	1,024

5. MARKETABLE SECURITIES

On October 30, 2017, the Company participated in Calidus Resources Limited's ("Calidus") private placement by purchasing 36,585,366 shares at AUD \$0.041 per share for gross consideration of AUD \$1,500 (\$1,490). The Company received Calidus' shares upon closing of the private placement on November 6, 2017. Calidus also issued to Novo 20,000,000 fully paid ordinary shares at a fair value of

AUD \$820 (\$814) or AUD \$0.041 (\$0.041) per share as a reimbursement for expenditures incurred by the Company on certain tenements in the Marble Bar region of Western Australia which is subject to a binding terms sheet between Novo and Calidus (see note 6 – *Exploration and Evaluation Assets* for more details). The cost of the Calidus shares is revalued at each quarter based on the prevailing foreign exchange rate and the shares are recognized at fair value and subsequently remeasured at FVTOCI. Such revaluations are tracked through the cost base of the Calidus shares which is updated on a quarterly basis.

On November 18, 2014, the Company participated in the inaugural financing and purchased 2,000,000 common shares of Elementum 3D Inc. ("E3D"), an unlisted private company based in Erie, Colorado. On March 7, 2018, the Company participated in the rights offering financing of E3D. E3D is an additive manufacturing research and development company which specializes in the creation of advanced metals, composites, and ceramics. Through this right offering financing, the Company purchased 76,560 additional common shares of E3D at a price of USD \$1.68 per common share. As a result of other share issuances during the rights offering financing, the Company's ownership in E3D was diluted to 14.87%. As a result of this and other factors, the Company determined that it could no longer exert significant influence over E3D and thus no longer met the definition of an associate in accordance with IAS 28, *Investments in associates and joint ventures*. As such, the Company's 2,076,560 common shares of E3D have been accounted for as marketable securities from the date E3D ceased to be an associate. The Company recognized a fair value gain on derecognition of associate in the statement of comprehensive loss with subsequent fair value changes in this investment remeasured at FVTOCI.

On March 8, 2018, American Pacific Mining Corp. ("APM") issued 266,666 common shares to Novo at a fair value of \$0.38 per share for total consideration of \$101 (see note 6 - *Exploration and Evaluation Assets*

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for more details). The APM shares have been accounted for as marketable securities, so they have initially been recognized at fair value and subsequently remeasured at FVTOCI.

On September 17, 2018 Pioneer Resources Limited (“Pioneer” or “PIO”) issued 50,000,000 common shares to Novo at a fair value of \$0.02 per share for total consideration of AUD\$1,000 (\$931) (see note 6 – *Exploration and Evaluation Assets* for more details). The Pioneer shares have been accounted for as marketable securities, so they have initially been recognized at fair value and subsequently remeasured at FVTOCI.

January 31, 2019						
	Number (unrounded)	Cost \$'000	Foreign Exchange \$'000	Fair value gain on derecognition of associate	Accumulated Unrealised Gains / (Losses) \$'000	Fair Value \$'000
FVTOCI						
Calidus Resources Limited Common Shares	56,585,366	2,249	(290)	-	(657)	1,302
American Pacific Mining Corp. Common Shares	266,666	101	-	-	(68)	33
Elementum 3D Inc. Common Shares	2,076,560	163	107	4,315	-	4,585
Pioneer Resources Limited Common Shares	50,000,000	931	25	-	(143)	813
		3,444	(158)	4,315	(868)	6,733

January 31, 2018						
	Number (unrounded)	Cost \$'000	Foreign Exchange \$'000	Fair value gain on derecognition of associate	Accumulated Unrealised Gains / (Losses) \$'000	Fair Value \$'000
Calidus Resources Limited Common Shares	56,585,366	2,304	(169)	-	-	2,135
		2,304	(169)	-	-	2,135

6. EXPLORATION AND EVALUATION ASSETS

Beatons Creek Region

Beatons Creek Property

The Company signed agreements with aboriginal groups who have title to the ground comprising the Beatons Creek property during the year ended January 31, 2018. In aggregate, the Company has paid

AUD \$550 (\$526) and a further AUD \$600 is due once a decision has been made to develop the property for mining. In addition, a production royalty totaling 2.75% is payable on any gold and silver produced from the Beatons Creek property.

A 2.5% royalty is payable to the State of Western Australia on any gold produced by the Company on the Beatons Creek Tenements.

Talga Projects

A 1.5% net smelter returns royalty is payable on any minerals extracted from the Talga Talga, Warrawoona, and Mosquito Cree Projects (collectively, the “Talga Projects”) in a commercial mining operation. A 2.5% royalty is also payable to the State of Western Australia on any gold produced by the Company on the Talga Projects.

Blue Spec Project

A 2% net smelter return royalty over all production from tenements comprising the Blue Spec Au-Sb Project (the “Blue Spec Project”) is payable to RSI (WA Gold) Pty Ltd. under a royalty agreement entered into by Northwest Resources Limited (“Northwest”) when it owned the tenements.

A net smelter return royalty over all production from certain tenements comprising the Blue Spec Project is payable to St. Barbara Limited under a royalty agreement Northwest was bound by when it owned the tenements comprising the Blue Spec Project. The Company assumed the obligations under the 2015 purchase agreement with Northwest. The royalty is equal to 3.75% of the gross proceeds of sale of 75% of all gold, silver and other minerals produced from the tenements.

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A 2.5% royalty is payable to the State of Western Australia on any gold produced by the Company on the Blue Spec Project.

Paleo-Placer Property

On August 31, 2018, the Company announced that it had finalized the outstanding components of a transaction with Mark Gareth Creasy and entities controlled by him (collectively, the “Creasy Group”). As a result, Novo now has:

- four joint operations with the Creasy Group under which it has earned a 70% interest in the “gold rights” (gold and minerals associated with and normally mined with gold) relating to properties located in the Nullagine and Marble Bar regions of Western Australia. Nullagine Gold is entitled to become a 70% registered holder of those properties; and
- one joint operation with the Creasy Group under which it owns 70% interest in all mineral rights relating to the Callina Creek property. Nullagine Gold is a 100% registered holder of this tenement, and will transfer a 30% interest to the Creasy Group.

The Creasy Group retains prospecting rights across all joint operation properties. The Creasy Group’s interests under each joint operation are free carried for all exploration-related expenditures through to the completion of any bankable feasibility study. If a mining decision is made under any of the joint operation agreements following a bankable feasibility study, and the Creasy Group elects not to participate in mining, its interest in relation to that mining area and the underlying ground will be diluted and eventually transferred to Nullagine Gold and will thereby convert to a royalty.

The transaction was completed pursuant to definitive agreements signed with the Creasy Group in July 2012 (the “2012 Agreements”) and varied in January 2015 by signing further agreements (the “2015 Agreements”).

Since 2012, the Creasy Group has held 100 shares (the “Conditional Shares”) in CGE. From the date of issuance, the Conditional Shares have had no economic or voting rights unless released from escrow.

The 2012 Definitive Agreements and 2015 Definitive Agreements together provided Novo with the right to acquire the Conditional Shares from the Creasy Group in exchange for 2,139,534 Novo common shares upon Novo and the Creasy Group entering into additional agreements regarding certain third party owned tenements in the Nullagine region. Entry into those additional agreements would release the Conditional Shares from escrow. The additional agreements were never executed and the parties have agreed that the proposed transaction on the third party owned tenements in the Nullagine region will not transpire. As a result, the Conditional Shares have been bought back by CGE for nominal consideration of AUD \$1.00, pursuant to a selective share buyback in accordance with the CGE Share Issue Agreement. Novo is therefore no longer obliged to issue the 2,139,534 common shares to the Creasy Group and will not do so. The CGE Shareholders Agreement and a CGE Share Issue Agreement have been terminated.

As required by the 2015 Definitive Agreements, Novo has also entered into a new joint operation with the Creasy Group - the Callina Creek Joint Operation Agreement. It is on materially similar terms as the existing four joint operations between Novo and the Creasy Group. The new joint operation covers a tenement adjacent to Novo’s existing Whim Creek Mining joint operation with the Creasy Group.

If a mining decision is made under any of the farm-in and joint operation agreements with the Creasy Group (the “JVAs”), following a bankable feasibility study, but the Creasy Group elects not to participate in mining, its interest in relation to that mining area will be transferred to Nullagine Gold and converted to a 1% net smelter royalty.

A discovery bonus of AUD \$1,000 is also payable to the Creasy Group if Novo conducts commercial mining operations on a gold discovery made by the Creasy Group while exercising its prospecting right on

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the JVA properties. The Creasy Group would also make a similar payment to the Company if the Creasy Group mines a non-gold discovery made by the Company.

During the year ended January 31, 2019 the Company determined that one of the tenements comprising the Paleo-Placer property was not prospective and surrendered it. The Company recorded an impairment expense of AUD \$166 (\$161).

A 2.5% royalty is payable to the State of Western Australia on any gold produced by the Company on the JVA properties.

Two Creeks Property

During the year ended January 31, 2019 the Company determined that the Two Creeks Project was not prospective and withdrew from the farm-in and joint operation agreement that it had signed with Mesa Minerals Limited on April 14, 2016. The Company recorded an impairment expense of AUD \$517 (\$499).

Mt. Hayes Property

During the year ended January 31, 2018 the Company determined that the Mt. Hayes project was not prospective and let an option under an agreement signed with Red Dog Prospecting Pty Ltd on April 14, 2016 lapse. The Company recorded an impairment expense of AUD \$437 (\$434).

Calidus Resources Limited

On September 19, 2017, the Company signed a binding term sheet with Calidus Resources Limited ("Calidus"), an ASX-listed entity, granting Calidus the right to earn a 70% interest in and to certain Novo tenements surrounding Calidus' Warrawoona project in Western Australia (the "Novo Tenements"). The Novo Tenements are comprised of four exploration licences and three prospecting licences.

Calidus completed its due diligence and satisfied or waived all conditions precedent and advised that the preparation of formal earn-in and joint operation agreements is underway. Calidus issued to Novo 20,000,000 fully paid ordinary shares at a fair value of AUD \$820 (\$814) or AUD \$0.041 (\$0.041) per share.

In order to earn a 70% interest in and to the Novo Tenements, Calidus must incur exploration expenditures of AUD \$2,000 over three years. If Calidus earns its 70% interest, Novo and Calidus will then be subject to a fund or dilute obligation whereby any interest below 10% will automatically convert into a 1% net smelter returns royalty. As at January 31, 2019, Calidus has incurred AUD \$1,683 in exploration expenditures on the Novo Tenements.

Nimble Resources Pty Ltd

On November 10, 2017, the Company sold tenement E46/1035 to Nimble Resources Pty Ltd ("Nimble") for a tiered royalty on any future minerals produced from the tenement. The Company will receive a royalty of 2% on all minerals derived from ore with an average grade of at least 0.5 grams of gold per loose cubic metre of earth, and 1% on all minerals derived from ore with an average grade of less than 0.5 grams of gold per loose cubic metre of earth.

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Karratha Region

Comet Well Property

On April 11, 2017, the Company entered into a binding terms sheet (the "Terms Sheet") with Jonathan and Zoe Campbell ("Campbell") to acquire the Campbells' interest in tenements 47/3597, 47/1845, 47/1846, 47/1847, and 47/3601 (collectively, the "Tenements") which comprise the Comet Well project in the Karratha region of Western Australia (the "Comet Well Project"). On August 3, 2017, the Company signed a sale and purchase agreement and a royalty agreement with Campbell, two farm-in and joint operation agreements with Gardner Mining Pty Ltd ("Gardner") and Bradley Adam Smith ("Smith"), and a settlement deed with Campbell, Gardner, and Smith (collectively, the "Definitive Agreements"). Upon execution of the Definitive Agreements, the Company had the right to earn an 80% interest, in aggregate, to the Tenements.

The aggregate cash portion of the purchase price pursuant to the Definitive Agreements was AUD \$1,750, of which AUD \$100 (\$100) was paid to Campbell upon signing of the Terms Sheet and AUD \$150 (\$148) was paid to Campbell upon signing of the Definitive Agreements. The remaining AUD \$1,500 (\$1,434) was paid to Gardner and Smith on December 20, 2017. The shares portion of the purchase price consisted of 1,450,000 Novo common shares (the "Initial Consideration Shares") of which 450,000 Initial Consideration Shares were issued to Campbell and 1,000,000 Initial Consideration Shares were issued to Gardner and Smith. The Initial Consideration Shares were issued on January 25, 2018, at a fair value of \$4,611 based on the closing price of the Company's common shares on the TSX-V on January 25, 2018 of \$3.18.

On January 25, 2021, a further AUD \$3,000 in aggregate is required to be paid to Gardner and Smith and AUD \$3,000 worth of Novo's common shares (the "Subsequent Consideration Shares") issued to Gardner and Smith, with the number of Subsequent Consideration Shares to be calculated based on Novo's then prevailing 5-day trailing volume-weighted average price ("VWAP"). The Subsequent Consideration Shares will be subject to a statutory hold period expiring four months from the date of issuance.

The AUD \$3,000 cash consideration and the Subsequent Consideration Shares have been recognized as a long-term liability in the Company's consolidated statement of financial position. The cash consideration has been discounted to reflect its present value with the remainder of the cash liability being recognized in accretion expense over the period to maturity. The fair value of the cash consideration as at January 31, 2019 is \$2,825 (January 31, 2018 - \$2,891). The fair value of the Subsequent Consideration Shares has been estimated based on the number of shares to be issued using the agreed-upon terms within the Definitive Agreements, with period-end revaluations capturing any unrealized gain or loss in the fair value of the Subsequent Consideration Shares. The fair value of the Subsequent Consideration Shares as at January 31, 2019 is estimated to be \$2,994 (January 31, 2018 - \$3,493), with an unrealized gain of \$499 (January 31, 2018 - loss of \$139) captured in the other items of the Company's consolidated statements of comprehensive loss. A deferred consideration accretion expense on the fair value of the cash consideration of \$42 (January 31, 2018 - \$nil) was also recognized in the other items of the Company's consolidated statements of comprehensive loss.

A bonus (the "Discovery Bonus") of AUD \$1,000 payable in cash and/or Novo common shares (at Campbell's option) is required to be paid to Campbell if Novo publishes measured, indicated, or inferred gold resources of at least 250,000 ounces on the Comet Well Project (the "Comet Well Technical Report").

If the Discovery Bonus is to be paid in the Company's common shares, the shares will be priced at the Company's then 5-day trailing VWAP and will be subject to a statutory hold period expiring four months from the date of issuance. The Company has not published a Comet Well technical report so no amount has been accrued for the Discovery Bonus.

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The royalty agreement between the Company and Campbell entitles Campbell to a 1% net smelter returns royalty on gold (the "Campbell Royalty") extracted by the Company on the Tenements. On July 27, 2018, the Company purchased one-half of the Campbell Royalty by agreeing to pay \$1,000 upon receipt of TSX-V approval (the "Approval Date") (paid on August 1, 2018), an additional \$250 on the six-month anniversary of the Approval Date (paid on January 25, 2019), and an additional \$500 on the 12-month anniversary of the Approval Date. The Company also issued 138,946 common shares on July 26, 2018, at a fair value of \$588 based on the closing price of the Company's common shares on the TSX-V on July 26, 2018 of \$4.23. The Company also agreed to pay Campbell a sub-royalty, in cash or satisfied by the issuance of common shares at the Company's discretion, based on either (i) resource reports being announced by the Company in compliance with either National Instrument 43-101 or the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves for the Comet Well property, demonstrating Measured Mineral Resources or Indicated Mineral Resources of gold, or a combination thereof (together, the "Announced Resources"), or (ii) if there are no Announced Resources but the Comet Well property is being mined by the Company, gold produced by the Company ("Mined Resources"), as follows:

- For Announced Resources and/or Mined Resources up to 5,000,000 ounces of gold, Novo shall make a payment of \$0.50 per ounce; and
- For Announced Resources and/or Mined Resources over 5,000,000 ounces of gold, Novo shall make a payment of \$1.00 per ounce.

If applicable, any sub-royalty will be paid quarterly, and the obligation to pay the sub-royalty expires on the tenth anniversary of the Approval Date. The sub-royalty is only payable once in respect of Announced Resources that may subsequently become Mined Resources. If a sub-royalty is paid in common shares issued by the Company, the issue price will be determined by reference to the VWAP of the Company's shares for the last 20 trading days of the relevant quarter.

The first farm-in and joint operation agreement (the "Novo Farm-in Agreement") signed between the Company and Gardner and Smith entitles the Company to earn an 80% interest in the Tenements once certain regulatory approvals are obtained and the Company incurs AUD \$4,000 in expenditures within three years of the Tenements being granted by the Australian Department of Mines, Industry Regulation and Safety ("DMIRS"). Concurrently, the Company signed a farm-in and joint operation agreement (the "Gardner and Smith Farm-in Agreement") with Gardner and Smith which entitle Gardner and Smith to earn an aggregate 20% interest in the Tenement by incurring AUD \$50 in aggregate within two years of the Tenements being granted by the DMIRS. As such, if the Company earns in to the Tenements and Gardner and Smith earn in to the Tenements, the Company will hold an 80% interest in the Tenements and Gardner and Smith will hold a 20% interest in the Tenements. The Company provided Gardner and Smith with confirmation of farm-in completion on May 28, 2018.

Pursuant to the Novo Farm-in Agreement, the Company will free carry Gardner and Smith with respect to joint operation expenditures until a decision to mine is made, at which point any non-contributing entity's interest in the joint operation will dilute at a pre-determined ratio. If Gardner's and Smith's interests in the joint operation are reduced to below 5%, Gardner and Smith will be deemed to have withdrawn from the joint operation and their interest will convert to an aggregate 1.0% net smelter returns royalty payable on any gold which is capable of being sold or otherwise disposed of. If the Company's interest in the joint operation is reduced to below 5%, the Company will be deemed to have withdrawn from the joint operation and its interest will convert to an aggregate 4% net smelter returns royalty payable on any gold which is capable of being sold or otherwise disposed of.

Pursuant to the Gardner and Smith Farm-in Agreement, the Company will free carry Gardner and Smith with respect to joint operation expenditures until a decision to mine is made, at which point any non-contributing entity's interest in the joint operation will dilute at a pre-determined ratio. If Gardner's and Smith's interests in the joint operation are reduced to below 5%, Gardner and Smith will be deemed to have withdrawn from the joint operation and their interests will convert to a 0.5% net smelter returns royalty payable on any gold which is capable of being sold or otherwise disposed of. If the Company's interest in the joint operation is reduced to below 5%, the Company will be deemed to have withdrawn from the joint operation and its interest will convert to a 4% net smelter returns royalty payable on any gold which is capable of being sold or otherwise disposed of.

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On December 4, 2017, the Company signed a native title and heritage exploration agreement (the “Native Title Agreement”) with Campbell, Gardner, Smith, and the Ngarluma Aboriginal Corporation (“NAC”) which allowed heritage surveys to commence and the granting of the Tenements. The Company was subsequently entitled to commence exploration work on the Tenements in order to satisfy earn-in expenditures on the Novo Farm-in Agreement. The Company also issued 100,000 common shares to NAC as consideration for signing the Native Title Agreement on December 8, 2017 at a fair value of \$503 based on the closing price of the Company’s common shares on the TSX-V on December 8, 2017 of \$5.03.

Artemis Resources Limited Joint Operation

On August 15, 2017, the Company signed definitive agreements outlining farm-in and joint operation gold rights with Artemis Resources Limited (“Artemis”). Novo had the right to farm-in to 50% of gold (and other minerals necessarily mined with gold) in conglomerate and/or paleo placer style mineralization in Artemis’ tenements within 100km of the City of Karratha, including at Purdy’s Reward (the “Gold Rights”). The Gold

Rights do not include (i) gold disclosed in Artemis’ existing JORC compliant Resources and Reserves at May 18, 2017 or (ii) gold which is not within conglomerate and/or paleo-placer style mineralization or (iii) minerals other than gold. Artemis’ Mt Oscar tenement is excluded from the definitive agreements.

The farm-in commitment required Novo to spend AUD \$2,000 on exploration within two years of satisfying conditions precedent in the definitive agreements. The Company issued 4,000,000 common shares as consideration for the Artemis transaction on August 23, 2017, at a fair value of \$16,480 based on the closing price of the Company’s common shares on the TSX-V on August 23, 2017 of \$4.12.

The definitive agreements signed cover 38 tenements/tenement applications that are 100% owned by Artemis. On completion of the farm-in commitment, three 50:50 joint operations would be formed between Karratha Gold and three subsidiaries of Artemis. The joint operations would be managed as one by Karratha Gold. Artemis and Novo would contribute to further exploration and mining of the Gold Rights on a 50:50 basis.

On November 27, 2017, the Company reached its AUD \$2,000 expenditure requirement and sent notice to such effect to Artemis. As such, effective November 27, 2017, the 50:50 unincorporated joint operation was deemed to be formed between Karratha Gold and Artemis’ subsidiaries. Karratha Gold manages the joint operations and Artemis and Karratha Gold will contribute to further exploration and mining of the Gold Rights on a 50:50 basis. If Karratha Gold or Artemis elect not to contribute to the joint operation pursuant to a budget approved by the joint operation management committee, the non-contributing entity’s interest in the joint operation will dilute at a ratio of 0.1% for every AUD \$50 overspent by the contributing entity. If a non-contributing entity’s interest in the joint operation is reduced to below 5%, the non-contributing entity will be deemed to have withdrawn from the joint operation and its interest will convert to a 0.5% net smelter returns royalty payable on any gold subject to the Gold Rights which is capable of being sold or otherwise disposed of.

During the year ended January 31, 2019, Artemis contributed AUD \$2,620 (\$2,505) to the joint operation.

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Notes to the Consolidated Financial Statements

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Welcome Exploration Pty Ltd

On August 11, 2017, Novo and one of its Australian subsidiaries, Karratha Gold Pty Ltd., entered into an option agreement (the "Agreement") with Welcome Exploration Pty Ltd, a private Australian company (the "Optionor") for the option to acquire the Optionor's interest in certain tenements (the "Option") in the

Karratha region of Western Australia (the "Pipeline Project"). The Pipeline Project consists of seven prospecting licences, five exploration licences, six prospecting licence applications, three exploration licence applications and a miscellaneous licence application.

An option fee payment of 500,000 Novo common shares was made on August 16, 2017 at a fair value of \$2,500 based on the closing price of the Company's common shares on the TSX-V on August 16, 2017 of \$5.00.

At any time within 12 months of signing of the Agreement, the Company had the right to exercise its Option and purchase the Pipeline Project outright, subject to the Optionor retaining certain rights described below, by issuing 2,500,000 Novo common shares (the "Option Exercise Shares") to the Optionor. The Option Exercise Shares were subject to a statutory hold period expiring four months from the date of issuance. Transfer to Novo of the tenements comprising the Pipeline Project were subject to the requisite approvals of certain Australian government authorities.

During the year ended January 31, 2019, the Company determined that the Pipeline Project was not prospective and let the Options lapse. The Company recorded an impairment expense of AUD\$2,650 (\$2,558).

100%-Owned Karratha Tenements

The Company staked approximately 8,000 square kilometres of tenements in and around the Karratha region of Western Australia under its wholly-owned subsidiaries, Meentheena and Rocklea Gold Pty Ltd during fiscal years 2018 and 2019.

Gold Specimens

During the year ended January 31, 2019, the Company purchased 3,647 grams of unrefined gold nuggets, \$159 from various parties in the Karratha region of Western Australia.

Egina Region

Farno-McMahon transaction

On March 29, 2018, the Company signed an option agreement with Farno for the right to explore Farno's tenements in and around the Karratha region of Western Australia for a 12-month period. The Company paid AUD \$300 (\$297) in cash for the right, AUD \$278 (\$275) was accounted for as property acquisition costs and AUD \$22 (\$22) was attributed to 400 grams of gold nuggets to be delivered by Farno to the Company.

On October 1, 2018, the Company entered into a share purchase agreement whereby the Company acquired 100% of the issued and outstanding shares of Farno, an Australian proprietary limited exploration company (the "Farno Transaction"). Farno holds a 100% interest in four key tenements in the Egina region of Western Australia, including two mining leases.

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018**

The Company paid AUD \$150 (\$139) in cash to Farno upon execution of an initial agreement, included in transaction costs below. Upon satisfaction and waiver of certain outstanding conditions which occurred on October 1, 2018, the Company paid a further AUD \$2,350 (\$2,173) in cash and issued 1,252,895 common shares at a fair value of \$3 per share to the shareholders of Farno. All Novo common shares issued pursuant to the Farno Transaction are subject to a statutory hold period expiring on February 1, 2019. Immediately after this issuance, the Company had 163,822,593 common shares issued and outstanding, with former Farno shareholders holding approximately 0.76% on an undiluted basis.

For accounting purposes, the acquisition of Farno has been recorded as an asset acquisition as Farno is not considered to be a business when applying the guidance within IFRS 3.

Assets acquired, and liabilities assumed

The cost of the identifiable assets and liabilities of Farno as at the date of acquisition were:

Consideration paid:	\$'000
Fair value of 1,252,895 shares issued to Farno shareholders	3,759
Cash payments made	2,173
Transaction costs	416
Total consideration	6,348

The fair value of identifiable assets acquired and liabilities assumed from Farno were as follows:

Net Assets acquired	\$'000
Trade and Other Receivables	49
Property, Plant and Equipment	114
Mineral Properties	6,371
Trade and Other Payables	(186)
Total	6,348

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018****Memorandum of Agreement with Pioneer Resources Limited (“Pioneer”)**

On September 17, 2018 the Company entered into a binding Memorandum of Agreement with Pioneer. The Company is entitled to earn, via farm-in arrangements, a 70% interest in precious metal rights on four exploration tenements in the Egina region of Western Australia which comprise the Kangan gold project. The aggregate purchase price was AUD \$640 (\$601), satisfied through the issuance of 100,000 Novo common shares with a fair value of \$4.04 per share to Pioneer as well as AUD \$200 (\$188) in cash.

Consideration	\$'000
Fair value of 100,000 common shares issued to Pioneer	404
Foreign Exchange	(4)
Cash paid	186
Transaction cost	9
Total consideration	595

The fair value of identifiable assets acquired from Pioneer were as follows:

	\$'000
Mineral properties	595

Nevada, USA Region**Tuscarora Property**

On November 6, 2017, the Company signed an option agreement with APM whereby APM has the option to acquire the Company's interest in the Tuscarora Property.

APM listed on the Canadian Securities Exchange on March 8, 2018 (the “Listing Date”). Pursuant to the option agreement, APM will pay to Novo \$375 in three equal annual instalments by January 31 of each year. APM will also issue \$200 worth of APM common shares in three equal annual instalments on the anniversary of the Listing Date. Beginning on the first anniversary of the Listing Date, APM will also be required to incur annual expenditures of USD \$100 on the Tuscarora Project. APM will grant to Novo a 0.5% net smelter returns royalty which APM can repurchase for USD \$500 at any time. APM will also assume all of Novo's royalty obligations under its original option agreement underlying the Tuscarora Project between Novo and Nevada Select Royalty, Inc. On January 24, 2018, APM paid \$125 to Novo. On March 8, 2018, APM issued 266,666 common shares to Novo at a fair value of \$0.38 per share for total consideration of \$102. On January 29, 2019, APM paid \$125 to Novo.

NOVO RESOURCES CORP.

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Notes to the Consolidated Financial Statements
For the years ended January 31, 2019 and 2018

The exploration and evaluation assets are comprised of the following:

	Beatons Creek Region	US Region	Karratha and Egina Region					Granted Tenements	Total
	\$'000	Tuscarora \$'000	Comet Well \$'000	Artemis \$'000	Welcome Exploration \$'000	Pioneer \$'000	Farno McMahon \$'000		
Balance, January 31, 2018	39,361	304	13,876	21,091	2,625	-	-	617	77,874
Acquisition Costs	-	-	2,537	-	-	630	6,777	-	9,944
Exploration Expenditure:									
Drilling	1,239	-	1,239	944	-	-	-	-	3,422
Feasibility study	14	-	-	-	-	-	-	-	14
Fieldwork	330	-	912	73	-	-	14	1,272	2,601
Fuel	95	-	250	-	-	-	23	-	368
Geology	3,135	-	733	-	-	-	270	272	4,410
Legal	73	-	52	13	-	11	-	24	173
Meals, Travel and Vehicle/Equipment									
Hire	839	-	2,131	2	-	-	168	736	3,876
Office and General	274	-	210	-	-	-	90	(569)	5
Reports, Data and Analysis	493	-	720	95	-	-	-	165	1,473
Rock Samples	2,637	-	3,632	386	-	-	-	1,051	7,706
Native Title	191	-	-	-	-	-	-	-	191
Tenement Administration	333	(14)	250	4	-	-	23	151	747
Foreign Exchange	(1,342)	21	(603)	(782)	(60)	-	-	(24)	(2,790)
Option Payments Received	-	(227)	-	-	-	-	-	-	(227)
Artemis 50% JV contribution	-	-	-	(2,505)	-	-	-	-	(2,505)
Impairment	(609)	-	-	-	(2,565)	-	-	-	(3,174)
	7,702	(220)	9,526	(1,770)	(2,625)	11	588	3,078	16,290
Balance, January 31, 2019	47,063	84	25,939	19,321	-	641	7,365	3,695	104,108

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Notes to the Consolidated Financial Statements
For the years ended January 31, 2019 and 2018

	Beatons Creek Region	US Region	Karratha Region				Total
		Tuscarora	Comet Well	Artemis	Welcome Exploration	Granted tenements	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance, January 31, 2017	34,782	440	-	-	-	-	35,222
Acquisition Costs	41	-	13,203	16,495	2,600	-	32,339
Exploration Expenditure:							
Drilling	686	-	-	942	-	-	1,628
Feasibility study	172	-	-	-	-	-	172
Fieldwork	279	-	43	678	-	-	1,000
Fuel	72	-	166	72	-	-	310
Geology	2,204	2	44	349	-	-	2,599
Legal	155	4	128	124	7	-	418
Meals, Travel and Vehicle/Equipment Hire	515	1	225	1,286	-	-	2,027
Office and General	265	-	30	57	-	-	352
Reports, Data and Analysis	419	-	-	453	17	433	1,322
Rock Samples	857	1	18	554	-	-	1,430
Native Title	447	-	-	-	-	-	447
Tenement Administration	759	6	19	81	2	184	1,051
Foreign Exchange	147	(25)	-	-	-	-	122
Option payments received	(814)	(125)	-	-	-	-	(939)
R&D Refund	(1,192)	-	-	-	-	-	(1,192)
Impairment	(434)	-	-	-	-	-	(434)
	4,537	(136)	673	4,596	26	617	10,313
Balance, January 31, 2018	39,360	304	13,876	21,091	2,626	617	77,874

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018****7. PROPERTY, PLANT, AND EQUIPMENT**

	Furniture and Equipment \$'000	Mining Equipment \$'000	Exploration Camp \$'000	Vehicles \$'000	Total \$'000
Cost:					
Balance at January 31, 2017	10	507	-	-	517
Additions	-	-	402	226	628
Foreign exchange differences	-	2	-	-	2
Disposals	-	-	-	(63)	(63)
Balance at January 31, 2018	10	509	402	163	1,084
Additions	-	407	-	26	433
Foreign exchange differences	-	44	(9)	(4)	31
Disposals	-	(39)	-	-	(39)
Balance at January 31, 2019	10	921	393	185	1,509

	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Camp \$'000	Vehicles \$'000	Total \$'000
Accumulated Depreciation					
Balance at January 31, 2017	10	19	-	-	29
Foreign exchange differences	-	1	3	2	6
Depreciation	-	-	53	3	56
Balance at January 31, 2018	10	20	56	5	91
Foreign exchange differences	-	-	(1)	-	(1)
Depreciation	-	30	69	34	133
Disposals	-	3	-	-	3
Balance at January 31, 2019	10	53	124	39	226

	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Camp \$'000	Vehicles \$'000	Total \$'000
Carrying Value:					
Balance at January 31, 2017	-	488	-	-	488
Balance at January 31, 2018	-	489	346	158	993
Balance at January 31, 2019	-	868	269	146	1,283

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(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

8. CAPITAL AND RESERVES

Authorized

Unlimited number of common voting shares without nominal or par value. All issued common shares are fully paid.

Shares issued

During the years ended January 31, 2018 and 2019, shares were issued pursuant to non-brokered private placements and the exercise of options and warrants.

- a) On September 6, 2017, the Company closed a non-brokered equity private placement (the "KL Financing") with Kirkland Lake Gold Ltd. ("KL") as a new strategic investor. The KL Financing raised gross proceeds of \$56,000 by the issuance of 14,000,000 units (each a "KL Unit") at a price of \$4.00 per KL Unit. All of the KL Units were subscribed for by KL. Each KL Unit consisted of one common share and one share purchase warrant (each a "KL Warrant"), and each KL Warrant entitles KL to purchase one additional common share of the Company at a price of \$6.00 per share for a period of 36 months from the closing date. The KL Warrants are subject to an accelerated expiry whereby, starting one year from the close of the KL Financing, if the daily high trading price of Novo's common shares exceeds \$12.00 for a period of 20 consecutive trading days, Novo may provide notice of early expiry and the KL Warrants will expire 30 days thereafter. As part of the KL Financing, the Company incurred share issuance costs of \$7.

KL was granted an anti-dilution right (the "Anti-Dilution Right") which grants KL the right (but not the obligation) to participate, on a pro rata basis, in any future financing undertaken by Novo to the extent required to allow KL to maintain the same equity ownership interest in Novo that it possessed immediately prior to announcement of a financing such that KL does not suffer any equity dilution. The Anti-Dilution Right does not apply to currently existing convertible securities, securities issued pursuant to currently existing contractual obligations, securities issued pursuant to the acquisition of mineral projects, and securities issued pursuant to direct or indirect arm's length corporate acquisitions, and it will terminate if KL's ownership in Novo drops below 5%.

- b) On May 4, 2017, the Company closed a brokered private placement raising gross proceeds of \$15,000 (the "Offering"). Pursuant to the Offering, the Company issued 22,727,350 units (the "Offering Units") at a price of \$0.66 per Offering Unit. Each Offering Unit was comprised of one common share of the Company and one transferable common share purchase warrant (an "Offering Warrant"), each Offering Warrant entitling the holder thereof to acquire one common share at a price of \$0.90 until May 4, 2019. 1,329,546 broker's warrants, each entitling the holder thereof to acquire one common share at a price of \$0.66 until May 4, 2019, were also issued pursuant to the Offering with a fair value of \$477. The fair value of each broker's warrant was \$0.36 per share whereas the exercise price of each broker's warrant is \$0.66. The fair value was calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.68%, a dividend yield of \$nil, an expected volatility of 94.22% and an average expected life of 2 years. As part of the Offering, in addition to the broker's warrants, the Company incurred share issuance costs of \$1,066.

Creasy Share Issuance

The Company opted to issue 1,000,000 common shares in order to satisfy consulting services received by the Company between May 1 and August 3, 2017. As the number of shares to be issued as payment for the consulting services was fixed, it did not breach the fixed-for-fixed criteria and was recognized within equity. The consulting services were measured using the Company's average share price during the consulting period and were recognized in the statement of loss and comprehensive loss during the aforementioned period. The shares were issued on September 7, 2018, at which point the equity component of the obligation was recognized and no longer recorded as a "shares to be issued" amount.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018****Warrants**

The continuity of warrants is as follows:

	January 31, 2019		January 31, 2018	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of the period	35,602,439	\$2.93	13,544,141	\$1.03
Granted	-	-	38,056,896	\$0.54
Cancelled/Expired	-	-	(180,000)	(\$0.80)
Exercised	(7,125,439)	(\$1.01)	(15,818,598)	(\$0.94)
Balance, end of the period	28,477,000	\$3.41	35,602,439	\$2.93

Full share equivalent warrants outstanding and exercisable at of January 31, 2019:

Expiry Date	Price Per Share	Warrants Outstanding
May 4, 2019	\$0.90	14,477,000
September 6, 2020	\$6.00	14,000,000
		28,477,000

Full share equivalent warrants outstanding and exercisable at of January 31, 2018:

Expiry Date	Price Per Share	Warrants Outstanding
March 8, 2018	\$0.85	2,236,217
July 26, 2018	\$1.25	1,206,471
August 12, 2018	\$1.25	1,427,210
May 4, 2019	\$0.90	16,732,541
September 6, 2020	\$6.00	14,000,000
		35,602,439

Share option plan

The Company has adopted a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of each option ("Option") shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the TSX-V.

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018**

The continuity of stock options is as follows:

	January 31, 2019		January 31, 2018	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of the period	12,550,000	\$0.94	5,025,000	\$0.94
Granted	630,000	\$4.60	9,800,000	\$3.72
Exercised	(615,000)	\$1.21	(2,025,000)	(\$0.68)
Expired/Cancelled	(150,000)	(\$3.35)	(250,000)	(\$2.29)
Balance, end of the period	12,415,000	\$3.21	12,550,000	\$3.07

The options outstanding and exercisable at January 31, 2019 are as follows:

Outstanding Options			Exercisable Options	
Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
150,000	\$0.20	1.36	150,000	\$0.20
2,400,000	\$0.94	2.54	2,225,000	\$0.94
1,750,000	\$0.95	2.35	250,000	\$0.95
3,210,000	\$1.57	2.46	2,325,000	\$1.57
2,675,000	\$7.70	3.72	2,200,000	\$7.70
400,000	\$7.94	3.77	400,000	\$7.94
1,200,000	\$3.47	4.00	-	\$3.47
630,000	\$4.60	4.35	-	\$4.60
12,415,000	\$3.21	3.00	7,550,000	\$3.46

The options outstanding and exercisable at January 31, 2018 were as follows:

Outstanding Options			Exercisable Options	
Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
150,000	\$0.20	2.36	150,000	\$0.20
2,750,000	\$0.94	3.54	2,225,000	\$0.94
1,750,000	\$0.95	3.35	166,667	\$0.95
3,475,000	\$1.57	3.46	775,000	\$1.57
2,750,000	\$7.70	4.72	733,333	\$7.70
400,000	\$7.94	4.77	133,333	\$7.94
1,275,000	\$3.47	5.00	-	-
12,550,000	\$3.07	3.92	4,183,333	\$2.44

For the year ended January 31, 2019, the total share-based payment expense was \$8,944 (January 31, 2018 - \$11,699).

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018**

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following assumptions:

	For the year ended January 31, 2019	For the year ended January 31, 2018
Risk-free interest rate	1.78% - 2.11%	0.63% - 2.08%
Dividend yield	0.00%	0.00%
Expected volatility	95.08% - 102.92%	95.08% - 219.12%
Expected option life	4 - 5 years	4 - 5 years

Share-based payment transactions with performance-based vesting conditions are measured at the fair value of the options granted at the date of issuance. Management adjusts the cumulative share-based payment expense periodically, based on the number of options expected to vest under the vesting conditions.

9. RELATED PARTY DISCLOSURES*(a) Key Management Personnel Disclosures*

During the years ended January 31, 2019 and 2018, the following amounts were incurred with respect to the key management and directors of the Company:

	Year ended January 31, 2019 \$'000	Year ended January 31, 2018 \$'000
Consulting services	180	226
Wages and salaries	1,163	588
Wages and salaries included in exploration and evaluation assets	-	497
Share-based payments	7,103	7,487
	<u>8,446</u>	<u>8,798</u>

(b) Other Related Party Disclosures

During the years ended January 31, 2019 and 2018, the following amounts were incurred with respect to consulting services provided by a corporation which employed the former Chief Financial Officer:

	Year ended January 31, 2019 \$'000	Year ended January 31, 2018 \$'000
Consulting services	-	90
	<u>-</u>	<u>90</u>

(c) Gold Sales

During the year ended January 31, 2019, the Company sold \$32 (January 31, 2018 - \$nil) worth of gold specimens to directors and significant shareholders of the Company.

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Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the year ended January 31, 2018, and amounts incurred were expensed as consulting fees. The relationship with one of these entities was terminated during the period ended January 31, 2018. The Company's Chief Operating Officer also resigned on October 10, 2018.

10. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended January 31, 2019 and 2018, non-cash activities conducted by the Company related to the movement of mineral property expenditures in accounts payable:

	January 31, 2019	January 31, 2018
	\$'000	\$'000
<i>Operating activities</i>		
Increase / (decrease) in accounts payable and accrued liabilities	1,317	(1,193)
<i>Investing activities</i>		
Issuance of shares for mineral property	4,750	24,094
(Deductions to) / additions in exploration and evaluation assets	(1,317)	1,193

11. FINANCIAL INSTRUMENTS

a) Fair value

The Company's financial instruments include cash, short-term investments, marketable securities, accounts payable and accrued liabilities, and deferred consideration for mineral property. The fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 – applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – applies to assets or liabilities for which there are unobservable market data.

The recorded amounts of cash, short-term investments and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature. The cash deferred consideration was initially recognized at fair value and is subsequently measured at amortized cost.

- Marketable securities and the share component of deferred consideration are measured using Level 1 inputs. The fair values of marketable securities are measured at the closing market price obtained from the Canadian Securities Exchange and the Australian Securities Exchange.
- Marketable securities held in E3D are measured using Level 2 inputs. The value of the share portion of deferred consideration has been derived from the number of shares to be issued using the five-day trailing VWAP of the Company's shares per the terms of the Definitive Agreements.
- The share portion of the deferred consideration is revalued at each reporting period with any differences being recognized as an unrealized gain or loss through comprehensive loss.

There were no transfers between levels during the year.

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018****b) Credit risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and short-term investments. The Company limits its exposure to credit loss by placing its cash and short-term investments with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

c) Foreign exchange rate risk

The Company has operations in Canada, Australia, and the United States and is subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian, Australian and the United States dollar, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the results of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar, United States dollar, and the Australian dollar.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At January 31, 2019 and 2018, the Company's monetary assets and monetary liabilities are as follows:

Canadian net monetary assets (\$'000 CAD)	January 31, 2019		January 31, 2018	
Cash and short-term investments	\$	34,823	\$	51,291
Accounts payable and accrued liabilities	\$	201	\$	172
Australian net monetary assets (\$'000 AUD)	January 31, 2019		January 31, 2018	
Cash and short-term investments	\$	7,961	\$	18,311
Accounts payable and accrued liabilities	\$	5,035	\$	1,675
US net monetary assets (\$'000 USD)	January 31, 2019		January 31, 2018	
Cash	\$	383	\$	48
Accounts payable and accrued liabilities	\$	11	\$	43

The exposure to foreign exchange rate risk is as follows:

Australian net monetary assets		AUD	10% Fluctuation Impact (AUD)		CAD	
Cash and short-term investments	\$	7,961	\$	796	\$	761
Accounts payable and accrued liabilities	\$	5,035	\$	503	\$	481
US net monetary assets		USD	10% Fluctuation Impact (USD)		CAD	
Cash			\$	383		\$
Accounts payable and accrued liabilities	\$	11	\$	1	\$	1

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Notes to the Consolidated Financial Statements

For the years ended January 31, 2019 and 2018

d) Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. Other than the deferred consideration for mineral property, all of the Company's financial liabilities are classified as current and the Company has a practice of paying its outstanding payables within 30 days. The deferred consideration for mineral property is due on January 25, 2021.

e) Price Risk

The Company is exposed to price risk with respect to commodity prices and its marketable securities. The Company's ability to raise capital is subject to risks associated with fluctuations in the market price of commodities. The Company's ability to recognize gains on liquidation of its marketable securities is subject to risks associated with fluctuations in the market prices of its marketable securities.

f) Interest Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at bank and term deposits carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The exposure to interest rates for the Company is considered minimal.

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company defines capital that it manages as share capital and cash and short-term investments.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and, acquire or dispose of assets.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short term maturities, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period.

The Company is not subject to external capital restrictions nor were there any changes in the Company's capital management policies during the period.

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018****13. SEGMENT INFORMATION**

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. The Company's non-current assets are located in the following countries:

	As at January 31, 2019			
	Australia	USA	Canada	Total
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	1,283	-	-	1,283
Exploration and evaluation assets	104,024	84	-	104,108
Gold specimens	159	-	-	159
Marketable securities	2,114	-	4,619	6,733
	107,580	84	4,619	112,283

	As at January 31, 2018			
	Australia	USA	Canada	Total
	\$	\$	\$	\$
Property, plant and equipment	993	-	-	993
Exploration and evaluation assets	77,570	304	-	77,874
Marketable securities	2,135	-	-	2,135
	80,698	304	-	81,002

14. INCOME TAXES

The difference between tax expense or recovery for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2019	2018
	\$'000	\$'000
Loss before income taxes	(14,797)	(17,785)
Tax recovery based on statutory rate of 27.00% (PY: 27.00%)	(3,995)	(4,764)
Difference in tax rates due to other jurisdictions	19	(58)
Non-deductible expenses	1,972	3,161
Other	378	(85)
Change in unrecognized deferred tax assets	1,626	1,746
Deferred income tax expense / (recovery)	-	-

The Canadian Federal corporate tax rate is 15.00%, and the British Columbia provincial tax rate is 12.00%.

The tax rate of 21.00% represents the statutory rate applicable for the 2018 taxation year for the USA, and 27.00% for Australia, and nil for the British Virgin Islands.

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Notes to the Consolidated Financial Statements**For the years ended January 31, 2019 and 2018****Deferred Tax Assets and Liabilities**

The significant components of the Company's net deferred tax assets and liabilities as of January 31, 2019 and 2018 are as follows:

	2019	2018
	\$'000	\$'000
Deferred Tax Assets:		
Non-capital losses	5,344	3,534
Capital losses	291	291
Un-deducted financing costs	194	269
Exploration and evaluation assets	415	-
Capital and other assets	11	10
Foreign exchange	50	50
Deferred tax assets	<u>6,305</u>	<u>4,163</u>
Deferred Tax Liabilities:		
Exploration and evaluation assets	-	(383)
Marketable securities	(900)	-
Off-set with deferred tax assets	900	383
Deferred tax liabilities	<u>-</u>	<u>-</u>
Unrecognized deferred tax assets	<u>(5,405)</u>	<u>(3,780)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

As at January 31, 2019, the Company has estimated non-capital losses for Canadian tax purposes of \$7,629, non-capital losses for Australian tax purposes of \$9,114, and net operating losses for US tax purposes of \$3,515, which may be carried forward to reduce taxable income derived in future years.

15. EVENTS AFTER THE REPORTING PERIOD

- a) On March 8, 2019, per the option agreement signed with APM and as disclosed in note 6, APM issued 266,666 common shares to Novo at a fair value of \$0.22 per share for total consideration of \$59.
- b) Subsequent to January 31, 2019, 500,000 stock options and 1,558,025 warrants were exercised for gross proceeds of \$2,187.