

**NOVO RESOURCES CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**For the three months ended April 30, 2019 and 2018**

(Expressed in Canadian Dollars)

**Novo Resources Corp.**  
(Expressed in Canadian Dollars)  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited)

		as at April 30, 2019	as at January 31, 2019	as at January 31, 2018
	Note	\$'000	\$'000 Restated	\$'000 Restated
<b>ASSETS</b>				
Current assets				
Cash		39,725	42,832	55,601
Short-term investments	3	93	93	13,918
Receivables	4	216	1,160	1,024
Prepaid expenses and deposits		223	297	290
<b>Total current assets</b>		<b>40,257</b>	<b>44,382</b>	<b>70,833</b>
Non-current assets				
Property, plant and equipment	7	1,579	1,283	993
Exploration and evaluation assets	6	105,557	104,108	77,874
Gold specimens		152	159	-
Marketable securities	5	6,721	6,733	2,135
<b>Total non-current assets</b>		<b>114,009</b>	<b>112,283</b>	<b>81,002</b>
<b>Total assets</b>		<b>154,266</b>	<b>156,665</b>	<b>151,835</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities		3,279	4,593	1,767
Lease liabilities		389	-	-
<b>Total current liabilities</b>		<b>3,668</b>	<b>4,593</b>	<b>1,767</b>
Non-current liabilities				
Deferred consideration for mineral property	6,11	2,630	2,825	2,891
<b>Total non-current liabilities</b>		<b>2,630</b>	<b>2,825</b>	<b>2,891</b>
<b>Total liabilities</b>		<b>6,298</b>	<b>7,418</b>	<b>4,658</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	8	179,111	176,286	161,786
Reserves	8	22,086	22,064	13,761
Subscription receivable	8	(7)	-	-
Shares to be issued	8	-	-	1,141
Comet Well deferred consideration reserve	6	3,354	3,354	3,354
Accumulated other comprehensive loss		(5,611)	(4,319)	(23)
Accumulated deficit		(50,965)	(48,138)	(32,842)
<b>Total shareholders' equity</b>		<b>147,968</b>	<b>149,247</b>	<b>147,177</b>
<b>Total shareholders' equity and liabilities</b>		<b>154,266</b>	<b>156,665</b>	<b>151,835</b>

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on June 28, 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)  
**Condensed Interim Consolidated Statements of Comprehensive Loss**  
(Unaudited)

		<b>Three months ended April 30</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
	Note	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>Restated</b>
<b>Expenses</b>			
Accounting and audit		117	60
Consulting services	9	52	74
Insurance		41	27
Legal fees		225	138
Meal and travel expenses		66	72
Office and general		531	384
Share-based payments	8,9	594	4,067
Transfer agent and filing fees		102	31
Wages and salaries	9	1,094	853
Lease interest expense		59	-
<b>Loss before other items</b>		<b>(2,881)</b>	<b>(5,706)</b>
<b>Other items</b>			
Interest and other income		166	165
Foreign exchange		3	12
Deferred consideration accretion expense	6	(115)	(7)
Fair value gain on derecognition of associate	5,6	-	4,315
		54	4,485
<b>Net loss for the period</b>		<b>(2,827)</b>	<b>(1,221)</b>
<b>Other comprehensive (loss) / income</b>			
Change in fair value of marketable securities - not to be reclassified to profit or loss in subsequent periods	5,6	224	98
Foreign exchange on translation of subsidiaries - to be reclassified to profit or loss in subsequent periods		(1,516)	(2,323)
		(1,292)	(2,225)
<b>Comprehensive loss for the period</b>		<b>(4,119)</b>	<b>(3,446)</b>
<b>Weighted average number of common shares outstanding</b>		<b>164,791,429</b>	<b>156,166,373</b>
<b>Basic and diluted loss per common share</b>		<b>(0.02)</b>	<b>(0.01)</b>

**Novo Resources Corp.**

(Expressed in Canadian Dollars)

**Condensed Interim Consolidated Statements of Changes in Equity**

For the three-month periods ended April 30, 2019 and 2018

(Unaudited)

	Note	Number of Shares (unrounded)	Amount \$'000	Option Reserve \$'000	Warrant Reserve \$'000	Shares to be Issued \$'000	Subscriptions Receivable \$'000	Comet Well Deferred Consideration Reserve \$'000	Accumulated Other Comprehensive Loss \$'000	Accumulated Deficit \$'000	Shareholders' Equity \$'000
<b>Balance - January 31, 2018 - as previously stated</b>		153,650,768	161,786	13,741	20	1,141	-	-	(23)	(32,981)	143,684
Comet Well deferred consideration restatement	6	-	-	-	-	-	-	3,354	-	139	3,493
<b>Balance - January 31, 2018 (Restated)</b>		153,650,768	161,786	13,741	20	1,141	-	3,354	(23)	(32,842)	147,177
Stock option exercise	8	248,334	670	(343)	-	-	-	-	-	-	327
Share-based payments	8,9	-	-	4,067	-	-	-	-	-	-	4,067
Shares to be issued	8	4,231,982	3,775	-	-	-	-	-	-	-	3,775
Other comprehensive loss for the period - restated	6	-	-	-	-	-	-	-	(2,225)	-	(2,225)
Loss for the period - restated	6	-	-	-	-	-	-	-	-	(1,221)	(1,221)
<b>Balance - April 30, 2018 (Restated)</b>		158,131,084	166,231	17,465	20	1,141	-	3,354	(2,248)	(34,063)	151,900
<b>Balance - January 31, 2019 (Restated)</b>		163,883,048	176,286	22,044	20	-	-	3,354	(4,319)	(48,138)	149,247
Stock option exercise	8	500,000	1,355	(572)	-	-	-	-	-	-	783
Share-based payments	8,9	-	-	594	-	-	-	-	-	-	594
Warrant exercises	8	1,633,200	1,470	-	-	-	-	-	-	-	1,470
Subscriptions receivable	8	-	-	-	-	-	(7)	-	-	-	(7)
Other comprehensive loss for the period		-	-	-	-	-	-	-	(1,292)	-	(1,292)
Loss for the period		-	-	-	-	-	-	-	-	(2,827)	(2,827)
<b>Balance - April 30, 2019</b>		166,016,248	179,111	22,066	20	-	(7)	3,354	(5,611)	(50,965)	147,968

**Novo Resources Corp.**  
(Expressed in Canadian Dollars)  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited)

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>Restated</b>
<b>Operating activities</b>		
Net loss for the period	(2,827)	(1,221)
Adjustments:		
Interest and other income	(166)	(165)
Depreciation	178	26
Foreign exchange	774	(159)
Share-based payment	594	4,067
Fair value gain on derecognition of associate	-	(4,315)
Deferred consideration accretion expense	115	7
Total adjustments	1,495	(539)
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	(61)	(198)
Prepaid expenses and deposits	74	131
Receivables	936	447
	949	380
<b>Net cash used in operating activities</b>	<b>(383)</b>	<b>(1,380)</b>
<b>Investing activities</b>		
Interest and other income	166	165
Purchase of equipment	(468)	(10)
Short-term deposits	1	(1,417)
Purchase of marketable securities	-	(163)
Sale/(Purchase) of gold specimens	7	(41)
Expenditures on exploration and evaluation assets	(4,599)	(4,989)
<b>Net cash used in investing activities</b>	<b>(4,893)</b>	<b>(6,455)</b>
<b>Financing activities</b>		
Issuance of share capital	2,255	4,102
<b>Net cash from financing activities</b>	<b>2,255</b>	<b>4,102</b>
<b>Net change in cash</b>	<b>(3,021)</b>	<b>(3,733)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(86)</b>	<b>(475)</b>
<b>Cash, beginning of the period</b>	<b>42,832</b>	<b>55,601</b>
<b>Cash, end of the period</b>	<b>39,725</b>	<b>51,393</b>

Supplemental cash flow information (Note 10)

## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three-month periods ended April 30, 2019 and 2018**

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#### **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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). The accounting policies adopted are consistent with those disclosed in the Company’s most recent annual consolidated financial statements, except those accounting policies which have changed as a result of the adoption of new and revised accounting standards and interpretations as described below. These condensed interim consolidated financial statements do not include all of the information and note disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and therefore should be read in conjunction with the Company’s annual consolidated financial statements for the year ended January 31, 2019.

##### **Basis of presentation**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. These condensed interim consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated and share amounts are not rounded.

The preparation of condensed interim consolidated financial statements 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. Except for the adoption of IFRS 16 *Leases* (“IFRS 16”) (see below), the areas involving a higher degree of judgement or complexity are consistent with those described in the Company’s annual consolidated financial statements for the year ended January 31, 2019.

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 condensed interim consolidated financial statements.

**NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018****Basis of consolidation**

These condensed interim 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.

As at April 30, 2019, the subsidiaries of the Company were as follows:

<b>Company Name</b>	<b>Area of Incorporation</b>	<b>% of Interest</b>
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%

**New and amended Accounting Standards and Interpretations and amendments adopted by the Company**

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended January 31, 2019, except for the adoption of new and amended accounting standards and interpretations effective as of January 1, 2019. Other than the adoption of IFRS 16 (see below), the adoption of the new and amended accounting standards and interpretations had no impact on the Company.

The Company has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards, interpretations or amendments is not expected to have a material impact on the financial position or performance of the Company.

The Company has applied, for the first time, IFRS 16 from February 1, 2019, and has not restated comparatives for the prior period as permitted under the specific transition provisions in IFRS 16. As required by IAS 34, the nature and effect of these changes are disclosed below.

*IFRS 16 Leases*

IFRS 16 supersedes *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases-Incentives*, and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three-month periods ended April 30, 2019 and 2018**

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The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of February 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedients allowing a) the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application, and b) the measuring the right-of-use asset on transition as being equal to the amount of the lease liability initially recognised on transition. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

#### **The effect of adoption of IFRS 16 is as follows:**

The impact on the condensed interim consolidated statement of financial position as at February 1, 2019 is an increase in property, plant and equipment of \$474,000 and an increase in the lease liability of \$474,000.

#### **a) Nature of the effect of adoption of IFRS 16**

The Company has lease contracts for offices, various items of plant, machinery, vehicles, and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease (as it held no finance leases). In an operating lease, the leased property was not capitalised and the lease payments were recognised as an expense in the condensed interim consolidated statement of comprehensive loss on a straight-line basis over the lease term. Prepaid or accrued rent was recognised under prepaid expenses and deposits and accounts payable and accrued liabilities, respectively. Certain leases related to the Company's exploration and evaluation activities and, as such, lease payments were capitalised to the Company's exploration and evaluation assets in the condensed interim consolidated statements of financial position on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases of which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption of IFRS 16, the Company applied IFRS 16 at the date of initial application by measuring the right-of-use assets based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

#### **b) Summary of new accounting policies**

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

##### *Property, plant and equipment*

The Company recognises property, plant and equipment (right-of-use assets) at the commencement date of the lease (i.e., the date the underlying asset is available for use). Property, plant and equipment is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of property, plant and equipment includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Property, plant and equipment is subject to impairment.



**NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018***Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery, equipment and vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

*Significant judgement in determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew and renewal periods (e.g., a change in business strategy).

**c) Amounts recognised in the condensed interim consolidated statements of financial position and comprehensive loss:**

Set out below are the carrying amounts of the Company's assets and lease liabilities and the movements during the period:

	Property \$'000	Mining Equipment \$'000	Vehicles \$'000	Total \$'000	Lease Liability \$'000
<b>As at January 31, 2019</b>	-	868	146	1,014	-
Initial adoption of IFRS 16	368	35	71	474	474
Depreciation expense	(81)	(3)	(24)	(108)	
Interest expense	-	-	-	-	59
Payments	-	-	-	-	(144)
<b>As at April 30, 2019</b>	<b>287</b>	<b>900</b>	<b>193</b>	<b>1,380</b>	<b>389</b>

## NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

### Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three-month periods ended April 30, 2019 and 2018

Set out below are the amounts recognised in the condensed interim consolidated statement of comprehensive loss for the three-month period ended April 30, 2019:

	<u>\$'000</u>
Depreciation expense on assets	108
Interest expense on lease liabilities	59
Rent expense - short-term leases	<u>7</u>
Total amounts recognised in profit or loss	<u><u>174</u></u>

### 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 April 30, 2019, the Company had three short-term investments totalling \$93,000 of principal (January 31, 2019 – three short-term investments totalling \$93,000).

\$35,000 is held in one short-term investment denominated in Canadian dollars, and the remaining \$58,000 is held in two short-term investments denominated in Australian dollars. The Canadian short-term investment is due on February 19, 2020 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>April 30, 2019</u>	<u>January 31, 2019</u>
	<u>\$'000</u>	<u>\$'000</u>
		<u>Restated</u>
Canadian GST receivable	17	89
Australian GST receivable	199	1,071
<b>Total receivables</b>	<b><u>216</u></b>	<b><u>1,160</u></b>

### 5. MARKETABLE SECURITIES

#### Calidus Resources Limited

On October 30, 2017, the Company participated in Calidus Resources Limited's ("Calidus") private placement by purchasing 36,585,366 ordinary shares at AUD \$0.041 per share for gross consideration of AUD \$1,500,000 (\$1,490,000). 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 \$820,000 (\$814,000) or AUD \$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 for more details). These shares are subsequently remeasured at fair value through other comprehensive income or loss ("FVTOCI"). Such revaluations are updated on a quarterly basis.

## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

**For the three-month periods ended April 30, 2019 and 2018**

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#### Elementum 3D Inc.

On November 18, 2014, the Company participated in Elementum 3D Inc.'s ("E3D") inaugural financing and purchased 2,000,000 common shares of E3D, an unlisted private company based in Erie, Colorado. E3D is an additive manufacturing research and development company which specializes in the creation of advanced metals, composites, and ceramics. On March 7, 2018, the Company participated in E3D's rights offering financing. 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 condensed interim consolidated statements of comprehensive loss with subsequent fair value changes in this investment remeasured at FVTOCI.

During the period ended April 30, 2018, the abovementioned fair value gain on derecognition of the associate was incorrectly recognised through other comprehensive income and recognised directly in equity. The comparatives in the condensed interim consolidated statements of comprehensive loss have been restated to reflect the correction to ensure this gain is recognised in the net loss for the period ended April 30, 2018 (see note 6). The gain was correctly recognised in the net loss for the year ended January 31, 2019 as presented in the Company's annual consolidated financial statements for the year ended January 31, 2019. Accordingly the consolidated statements of financial position as at January 31, 2019 have not been restated for this adjustment.

#### American Pacific Mining Corp.

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 \$101,000 (see note 6 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.

#### Pioneer Resources Limited

On September 17, 2018 Pioneer Resources Limited ("Pioneer") issued 50,000,000 common shares to Novo at a fair value of AUD \$0.02 per share for total consideration of AUD \$1,000,000 (\$931,000) (see note 6 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.

**NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018**

April 30, 2019					
FVTOCI	Number	Cost \$'000	Foreign Exchange \$'000	Accumulated Unrealised Gains / (Losses) \$'000	Fair Value \$'000
Calidus Resources Limited Common Shares	56,585,366	2,249	(316)	(596)	1,337
American Pacific Mining Corp. Common Shares	533,332	160	-	(77)	83
Elementum 3D Inc. Common Shares	2,076,560	4,478	205	-	4,683
Pioneer Resources Limited Common Shares	50,000,000	931	18	(331)	618
		7,818	(93)	(1,004)	6,721
January 31, 2019 (Restated)					
FVTOCI	Number	Cost \$'000	Foreign Exchange \$'000	Accumulated Unrealised Gains / (Losses) \$'000	Fair Value \$'000
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	4,478	107	-	4,585
Pioneer Resources Limited Common Shares	50,000,000	931	25	(143)	813
		7,759	(158)	(868)	6,733

**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 \$550,000 (\$526,000) and a further AUD \$600,000 is due once a decision has been made to develop the Beatons Creek 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 property.

**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 returns 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"), the prior owner of the Blue Spec project.

A net smelter returns 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 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 Blue Spec Project.

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

## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

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#### **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 (collectively referred to as the “JVA’s”).

The Creasy Group retains prospecting rights across all JVA properties. The Creasy Group’s interests under the JVA’s 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 JVA’s 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 1% net smelter returns 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 2012 Agreements. Novo is therefore no longer obliged to issue the 2,139,534 common shares to the Creasy Group and will not do so. Accordingly, certain agreements comprising the 2012 Agreements 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 one of Novo’s existing joint operations with the Creasy Group.

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A discovery bonus of AUD \$1,000,000 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 rights on 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.

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 \$166,000 (\$161,000) during the year ended January 31, 2019.

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**

The Company determined that the Two Creeks property 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 \$517,000 (\$499,000) during the year ended January 31, 2019.

#### **Mt. Hayes Property**

The Company determined that the Mt. Hayes property 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 \$437,000 (\$434,000) during the year ended January 31, 2018.

#### **Calidus Resources Limited**

On September 19, 2017, the Company signed a binding term sheet with 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. Calidus issued to Novo 20,000,000 fully paid ordinary shares at a fair value of AUD \$820,000 (\$814,000) or AUD \$0.041 per share.

In order to earn a 70% interest in and to the Novo Tenements, Calidus must incur exploration expenditure of AUD \$2,000,000 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 April 30, 2019, Calidus has incurred AUD \$2,142,000 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.

## **NOVO RESOURCES CORP.**

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**(Unaudited)**

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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 \$1,750,000, of which AUD \$100,000 (\$100,000) was paid to Campbell upon signing of the Terms Sheet and AUD \$150,000 (\$148,000) was paid to Campbell upon signing of the Definitive Agreements. The remaining AUD \$1,500,000 (\$1,434,000) 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 \$4,611,000 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 \$3,000,000 in aggregate is required to be paid to Gardner and Smith and AUD \$3,000,000-worth of Novo's common shares (the "Subsequent Consideration Shares") is required to be 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 \$3,000,000 cash consideration has been recognized as a long-term liability in the Company's condensed interim consolidated statements 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 carrying value of the cash consideration payable as at April 30, 2019 is \$2,630,000 (AUD \$2,780,000) (January 31, 2019 - \$2,825,000 (AUD \$2,955,000) ).

The Subsequent Consideration Shares were initially recognised as a long-term liability, measured at fair value through profit or loss. This accounting treatment continued to be adopted up to the end of the prior financial year, being January 31, 2019.

During the current quarter ended April 30, 2019, the Company re-assessed this accounting treatment and, following careful consideration, determined that the Subsequent Consideration Shares should have been accounted for as an equity-settled share-based payment under the requirements of IFRS 2 *Share Based Payments* ("IFRS 2"). As an equity-settled share-based payment the consideration payable should have been recognised directly in equity without subsequent remeasurement. The Company has therefore restated the relevant comparatives in the condensed interim consolidated statements of financial position, statements of comprehensive loss and statements of changes in equity – see note 6. The transaction has been recognised and measured with reference to the fair value of the equity instruments granted at the date control of the asset was obtained, estimated to be \$3,354,000 as the Company determined that it could not reliably measure the fair value of the asset obtained.

A bonus (the "Discovery Bonus") of AUD \$1,000,000 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").

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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.

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 \$1,000,000 upon receipt of TSX-V approval (the "Approval Date") (paid on August 1, 2018), an additional \$250,000 on the six-month anniversary of the Approval Date (paid on January 25, 2019), and an additional \$500,000 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 \$588,000 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 \$4,000,000 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 \$50,000 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.



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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.

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 \$503,000 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 \$2,000,000 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 \$16,480,000 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 \$2,000,000 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 \$50,000 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 period ended April 30, 2019, Artemis contributed AUD \$203,000 (\$192,000) to the joint operation.

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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 \$2,500,000 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.

The Company determined that the Pipeline Project was not prospective and let the Options lapse. The Company recorded an impairment expense of AUD\$2,650,000 (\$2,558,000) during the year ended January 31, 2019.

#### **100%-Owned Karratha Tenements**

The Company pegged approximately 8,000 square kilometres of tenements in and around the Karratha region of Western Australia under its wholly-owned subsidiaries, Meentheena, Grant's Hill Gold Pty Ltd, and Rocklea Gold Pty Ltd during fiscal years 2018 and 2019. The Company continued pegging tenements in the Pilbara region of Western Australia during the period ended April 30, 2019.

#### **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 \$300,000 (\$297,000) in cash for the right, of which AUD \$278,000 (\$275,000) was accounted for as a property acquisition cost and AUD \$22,000 (\$22,000) was attributed to 400 grams of gold nuggets 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.

The Company paid AUD \$150,000 (\$139,000) in cash to Farno upon execution of an initial agreement. Upon satisfaction and waiver of certain outstanding conditions which occurred on October 1, 2018, the Company paid a further AUD \$2,350,000 (\$2,173,000) 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 were 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.

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**Memorandum of Agreement with Pioneer Resources Limited**

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 \$640,000 (\$601,000), 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 \$200,000 (\$188,000) in cash.

**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 in Nevada, USA.

APM listed on the Canadian Securities Exchange on March 8, 2018 (the "Listing Date"). Pursuant to the option agreement, APM will pay to Novo \$375,000 in three equal annual instalments by January 31 of each year. APM will also issue \$200,000 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 \$100,000 on the Tuscarora Project. APM will grant to Novo a 0.5% net smelter returns royalty which APM can repurchase for USD \$500,000 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 \$125,000 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 \$102,000. On January 29, 2019, APM paid \$125,000 to Novo. On March 8, 2019, APM issued 266,666 common shares to Novo at a fair value of \$0.22 per share for total consideration of \$59,000.

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The exploration and evaluation assets are comprised of the following:

	Beatons Creek Region	US Region	Karratha and Egina Region					Total
		Tuscarora	Comet Well	Artemis	Pioneer	Farno McMahon	Granted Tenements	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance, January 31, 2019 (Restated)</b>	47,063	84	25,939	19,321	641	7,365	3,695	104,108
Acquisition Costs	-	-	(277)	-	-	323	-	46
Exploration Expenditure:								
Drilling	-	-	14	-	-	(14)	-	-
Fieldwork	22	-	94	-	-	81	240	437
Fuel	3	-	-	-	-	39	-	42
Geology	1,170	-	(1)	-	-	23	13	1,205
Legal	(5)	-	16	3	15	8	4	41
Meals, Travel and Vehicle/Equipment Hire	80	-	1	(37)	-	79	113	236
Office and General	112	-	-	-	-	51	18	181
Reports, Data and Analysis	132	-	64	-	-	-	-	196
Rock Samples	758	-	471	-	-	-	77	1,306
Tenement Administration	139	-	1	-	-	12	172	324
Foreign Exchange	(1,262)	2	(274)	(268)	(7)	(454)	(21)	(2,284)
Option Payments Received	-	(59)	-	-	-	-	-	(59)
Artemis 50% JV contribution	-	-	-	(114)	-	-	-	(114)
Impairment	(108)	-	-	-	-	-	-	(108)
	1,041	(57)	386	(416)	8	(175)	616	1,403
<b>Balance, April 30, 2019</b>	<b>48,104</b>	<b>27</b>	<b>26,048</b>	<b>18,905</b>	<b>649</b>	<b>7,513</b>	<b>4,311</b>	<b>105,557</b>

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	Beatons Creek Region	US Region	Karratha and Egina Region						Total
	\$'000	Tuscarora \$'000	Comet Well \$'000	Artemis \$'000	Welcome Exploration \$'000	Pioneer \$'000	Farno McMahon \$'000	Granted Tenements \$'000	
<b>Balance, January 31, 2018 (Restated)</b>	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
<b>Balance, January 31, 2019 (Restated)</b>	<b>47,063</b>	<b>84</b>	<b>25,939</b>	<b>19,321</b>	<b>-</b>	<b>641</b>	<b>7,365</b>	<b>3,695</b>	<b>104,108</b>

**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 from future exploration 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 mineral deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its exploration and evaluation assets.

# NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three-month periods ended April 30, 2019 and 2018

### Impact of restatements

The effect of the above-mentioned restatements with regards to the classification of the fair value gain relating to the investment in E3D from other comprehensive income to profit and loss (see note 5) and the revised accounting for the Comet Well Subsequent Consideration Shares as an equity-settled share-based payment under IFRS 2 rather than a non-current liability under IFRS 9 (disclosed earlier in this note) on the comparative numbers is summarised below. The Company's basic and diluted loss per common share decreased from \$(0.03) to \$(0.01) as a result of these restatements.

#### Condensed Interim Consolidated Statements of Financial Position

	January 31, 2018 \$'000	\$'000 Comet Well Adjustment	January 31, 2018 \$'000 Restated
	Previously disclosed		Restated
Deferred consideration for mineral property	6,384	(3,493)	2,891
Total non-current liabilities	6,384	(3,493)	2,891
Total liabilities	8,151	(3,493)	4,658
Comet Well Deferred consideration reserve	-	3,354	3,354
Accumulated Deficit	(32,981)	139	(32,842)
Total shareholders' equity	143,684	3,493	147,177
Total shareholders' equity and liabilities	151,835	-	151,835

	January 31, 2019 \$'000	\$'000 Comet Well Adjustment	January 31, 2019 \$'000 Restated
	Previously disclosed		Restated
Deferred consideration for mineral property	5,819	(2,994)	2,825
Total non-current liabilities	5,819	(2,994)	2,825
Total liabilities	10,412	(2,994)	7,418
Comet Well Deferred consideration reserve	-	3,354	3,354
Accumulated Deficit	(47,778)	(360)	(48,138)
Total shareholders' equity	146,253	2,994	149,247
Total shareholders' equity and liabilities	156,665	-	156,665

#### Condensed Interim Consolidated Statements of Comprehensive Loss

	April 30, 2018 \$'000	\$'000 Comet Well and E3D Adjustments	April 30, 2018 \$'000 Restated
	Previously disclosed		Restated
Fair value gain on derecognition of associate	-	4,315	4,315
Unrealized loss on deferred consideration for mineral properties	492	(492)	-
Net loss for the period	(5,044)	3,823	(1,221)

#### Other comprehensive income/(loss)

Change in fair value of marketable securities	4,413	(4,315)	98
<b>Comprehensive loss for the period</b>	<b>(2,954)</b>	<b>(492)</b>	<b>(3,446)</b>

#### Condensed Interim Consolidated Statements of Cash Flows

	April 30, 2018 \$'000	\$'000 Comet Well and E3D Adjustments	April 30, 2018 \$'000 Restated
	Previously disclosed		Restated
Operating activities			
Net loss for the period	(5,044)	3,823	(1,221)
Adjustments:			
Fair value gain on derecognition of associate	-	(4,315)	(4,315)
Unrealized gain on deferred consideration for mineral property	(492)	492	-
Total adjustments	3,284	(3,823)	(539)

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(Expressed in Canadian Dollars, unless stated otherwise)

**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018****7. PROPERTY, PLANT, AND EQUIPMENT**

	Property \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Exploration Camp \$'000	Vehicles \$'000	Total \$'000
<b>Cost:</b>						
Balance at January 31, 2018 (Restated)	-	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 (Restated)	-	10	921	393	185	1,509
Additions	368	7	35	-	71	481
Foreign exchange differences	-	-	(6)	(2)	(1)	(9)
Balance at April 30, 2019	368	17	950	391	255	1,981

	Property \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Camp \$'000	Vehicles \$'000	Total \$'000
<b>Accumulated Depreciation</b>						
Balance at January 31, 2018 (Restated)	-	10	20	56	5	91
Foreign exchange differences	-	-	-	(1)	-	(1)
Depreciation	-	-	30	69	34	133
Disposals	-	-	3	-	-	3
Balance at January 31, 2019 (Restated)	-	10	53	124	39	226
Foreign exchange differences	-	-	-	(1)	(1)	(2)
Depreciation	81	-	45	18	34	178
Balance at April 30, 2019	81	10	98	141	72	402

	Property \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Camp \$'000	Vehicles \$'000	Total \$'000
<b>Carrying Value:</b>						
Balance at January 31, 2019 (Restated)	-	-	868	269	146	1,283
Balance at April 30, 2019	287	7	852	250	183	1,579

**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 year ended January 31, 2019, the Company issued 1,000,000 common shares in order to satisfy consulting services received by the Company between May 1 and August 3, 2017. The consulting services were measured using the Company's average share price during the consulting period and were recognized in the condensed interim consolidated statements 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.

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**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018****Subscriptions receivable**

On April 30, 2019, 7,575 warrants exercisable at \$0.90 were exercised for gross proceeds of \$7,000 but the funds were not deposited until May 21, 2019 due to an administrative delay. The amount was recorded as a subscription receivable as at April 30, 2019 and will be recognized as share capital on May 21, 2019.

**Warrants**

The continuity of warrants is as follows:

	April 30, 2019		January 31, 2019	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	28,477,000	\$ 3.41	35,602,439	\$ 2.93
Granted	-	\$ -	-	\$ -
Cancelled/Expired	-	\$ -	-	\$ -
Exercised	(1,633,200)	\$ (0.90)	(7,125,439)	\$ (1.01)
Balance, end of period	26,843,800	\$ 3.56	28,477,000	\$ 3.41

Full share equivalent warrants outstanding and exercisable as of April 30, 2019:

Expiry Date	Price Per Share	Warrants Outstanding
May 4, 2019	\$0.90	12,843,800
September 6, 2020	\$6.00	14,000,000
		26,843,800

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

Expiry Date	Price Per Share	Warrants Outstanding
May 4, 2019	\$0.90	14,447,000
September 6, 2020	\$6.00	14,000,000
		28,447,000

**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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The continuity of stock options is as follows:

	April 30, 2019		January 31, 2019	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of the period	12,415,000	\$3.21	12,550,000	\$0.94
Granted	-	-	630,000	\$4.60
Exercised	(500,000)	(\$1.57)	(615,000)	(\$1.21)
Expired/Cancelled	(600,000)	(\$2.91)	(150,000)	(\$3.35)
<b>Balance, end of the period</b>	<b>11,315,000</b>	<b>\$3.30</b>	<b>12,415,000</b>	<b>\$3.21</b>

The options outstanding and exercisable at April 30, 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	1.12	150,000	\$0.20
2,350,000	\$0.94	2.30	2,225,000	\$0.94
1,750,000	\$0.95	2.10	250,000	\$0.95
2,485,000	\$1.57	2.22	2,325,000	\$1.57
2,650,000	\$7.70	3.48	2,200,000	\$7.70
400,000	\$7.94	3.52	400,000	\$7.94
1,000,000	\$3.47	3.76	-	-
530,000	\$4.60	4.10	-	-
<b>11,315,000</b>	<b>\$3.30</b>	<b>2.77</b>	<b>7,550,000</b>	<b>\$3.46</b>

The options outstanding and exercisable at January 31, 2019 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	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	-	-
630,000	\$4.60	4.35	-	-
<b>12,415,000</b>	<b>\$3.21</b>	<b>3.00</b>	<b>7,550,000</b>	<b>\$3.46</b>

For the period ended April 30, 2019, the total share-based payment expense was \$594,000 (April 30, 2018 - \$4,067,000).

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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:

	<b>For the year ended January 31, 2019</b>
Risk-free interest rate	1.78% - 2.11%
Dividend yield	0.00%
Expected volatility	95.08% - 102.92%
Expected option life	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.

A reconciliation of the Company's accumulated other comprehensive (loss) / income is as follows:

	<b>Movement in FVTOCI \$'000</b>	<b>Foreign exchange on translation of subsidiaries \$'000</b>	<b>Total \$'000</b>
<b>Balance as at January 31, 2018 (Restated)</b>	<b>(210)</b>	<b>187</b>	<b>(23)</b>
APM Shares	(68)	-	(68)
Calidus shares	(763)	-	(763)
E3D shares	107	-	107
Pioneer shares	(143)	-	(143)
Foreign exchange on translation of subsidiaries	-	(3,429)	(3,429)
Total	(867)	(3,429)	(4,296)
<b>Balance as at January 31, 2019 (Restated)</b>	<b>(1,077)</b>	<b>(3,242)</b>	<b>(4,319)</b>
APM Shares	(9)	-	(9)
Calidus shares	(54)	-	(54)
E3D shares	98	-	98
Pioneer shares	189	-	189
Foreign exchange on translation of subsidiaries	-	(1,516)	(1,516)
Total	224	(1,516)	(1,292)
<b>Balance as at April 30, 2019</b>	<b>(853)</b>	<b>(4,758)</b>	<b>(5,611)</b>

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**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018****9. RELATED PARTY DISCLOSURES***Key Management Personnel Disclosures*

During the periods ended April 30, 2019 and 2018, the following amounts were incurred with respect to the key management and directors of the Company:

	<b>April 30, 2019 \$'000</b>	<b>April 30, 2018 \$'000</b>
Consulting services	45	45
Wages and salaries	285	366
Share-based payments	190	3,497
	<u>520</u>	<u>3,908</u>

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

During the periods ended April 30, 2019 and 2018, non-cash activities conducted by the Company related to the movement of mineral property expenditures in accounts payable:

	<b>April 30, 2019 \$'000</b>	<b>April 30, 2018 \$'000</b>
<i>Operating activities</i>		
Increase / (decrease) in accounts payable and accrued liabilities	<u>(865)</u>	<u>512</u>
<i>Investing activities</i>		
(Deductions to) / additions in exploration and evaluation assets	<u>865</u>	<u>(512)</u>

**11. FINANCIAL INSTRUMENTS****a) Fair value**

The Company's financial instruments include cash, short-term investments, marketable securities, accounts payable and accrued liabilities, and the cash component of the 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 is 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 component of the deferred consideration was initially recognized at fair value and is subsequently measured at amortized cost.

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**(Unaudited)**

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- The marketable securities balance for listed securities is 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.
- The marketable securities balance held in E3D is measured using Level 3 inputs. The value of the shares held in E3D was determined using the last financing price used by E3D to raise funds for its operations. E3D is not a listed company so management was 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.

There were no transfers between levels or changes in the valuation techniques and processes or inputs for determining fair value for financial instruments during the year.

#### **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 operates internationally and is exposed to foreign exchange risk, primarily the Australian dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Company subsidiary. The Company considers this risk to be immaterial considering it does not conduct significant transactions or hold significant cash in currencies which do not match the functional currency of each of the Company's subsidiaries.

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

#### **d) Liquidity Risk**

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. Other than the cash component of 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, including commodity prices. 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 Rate 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.

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**Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited)****For the three-month periods ended April 30, 2019 and 2018****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.

**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:

	<b>As at April 30, 2019</b>			
	<b>Australia</b>	<b>USA</b>	<b>Canada</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	1,579	-	-	1,579
Exploration and evaluation assets	105,530	27	-	105,557
Gold specimens	152	-	-	152
Marketable securities	1,955	-	4,766	6,721
	<b>109,216</b>	<b>27</b>	<b>4,766</b>	<b>114,009</b>

	<b>As at January 31, 2019 (Restated)</b>			
	<b>Australia</b>	<b>USA</b>	<b>Canada</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
	<b>107,580</b>	<b>84</b>	<b>4,619</b>	<b>112,283</b>

**14. EVENTS AFTER THE REPORTING PERIOD**

- a) Subsequent to April 30, 2019, 500,000 stock options and 12,843,800 warrants were exercised for gross proceeds of \$12,344,000.

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- b) On May 25, 2019, the Company purchased a 60% interest in tenement E47/3812 from New Frontier Resources Pty Ltd (“New Frontier”) for AUD \$2,000,000. A joint operation was formed whereby New Frontier will be free-carried to a decision to mine.
- c) On June 7, 2019, the Company entered into a USD \$30 million farm-in and joint venture agreement (the “Agreement”) with Sumitomo Corporation of Tokyo, Japan, and its wholly-owned Australian subsidiary (together, “Sumitomo”) in order to advance Novo’s Egina project (the “Egina Project”) located approximately 80 km south-southwest of Port Hedland, WA.

The Egina Project is comprised of wholly-owned Novo tenure, including tenements held by Farno, tenements into which Novo is currently earning an interest under a binding memorandum of agreement with Pioneer, and a tenement into which ASX-listed De Grey Mining Ltd. is currently earning an interest under a farmin and joint venture agreement executed with Farno prior to its acquisition by Novo.

Pursuant to the Agreement, Sumitomo is entitled to earn, through farmin arrangements, up to a 40% interest in the Egina Project by spending up to USD \$30 million (approximately \$40.2 million) over three years, with a required minimum of USD \$5 million per phase defined by a program and budget (approximately \$6.7 million). Sumitomo has the right to elect not to continue with the farmin arrangement and, if this right is exercised, it is expected that any amounts advanced under the farmin arrangement will be converted into common shares of Novo through a shares for debt settlement at the higher of \$2.00 and the minimum price permitted as at the date the right is exercised, subject to receipt of TSX-V approval. Any shares issued to Sumitomo pursuant to such a debt settlement will be subject to a twelve-month contractual hold period (inclusive of the required four-month statutory hold period) and orderly sale restrictions. The Agreement also contains a mechanism by which Sumitomo can participate in an expanded project area.

- d) On May 31, 2019, Calidus provided notice to the Company that it had earned its 70% interest in and to the Novo Tenements.
- e) On June 28, 2019, the Company entered into a binding letter of intent (the “LOI”) with De Grey Mining Ltd. (“De Grey”), an ASX-listed entity, in order to significantly broaden its exposure to the gold-bearing lag gravel deposits adjacent and believed to be synonymous with the Company’s Egina gold project.

Novo has secured the right to explore De Grey’s tenements for gold-bearing lag gravel deposits for an initial three-year period (the “Initial Period”) by paying AUD \$1 million, of which AUD \$300,000 will be held in escrow by Novo until De Grey acquires Indee Gold Pty Ltd (“Indee Gold”). Prior to the expiry of the Initial Period, Novo can elect to extend its exploration rights for an additional two years (the “Second Period”) by paying an additional AUD \$1 million (the “Second Payment”), AUD \$300,000 of which will also be kept in escrow by Novo until De Grey acquires Indee Gold. Novo can elect to continue to extend its exploration rights beyond the Second Period in two year increments by paying an additional AUD \$1 million per extension period, subject to the successful submission of a mining lease application or De Grey’s waiver of this condition.

If a mining lease is granted to Novo on the De Grey tenements, Novo will be deemed to have acquired an 80% interest in the relevant tenements (or portions thereof) which comprise the mining lease area (the “Joint Venture”) by giving notice to DEG and making a one-time payment of AUD \$2 million. If the Joint Venture is established during the Initial Period, Novo will also be required to pay the Second Payment.

De Grey remains the primary tenement holder and will have precedence at all stages of exploration and mining for bedrock mineralisation while Novo holds rights for exploration and mining for gold-bearing lag gravel deposits. Certain tenements held by De Grey are excluded, including granted mining

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and miscellaneous leases, existing De Grey resources with a 300 metre buffer, any future mining leases granted over the existing De Grey resources, De Grey's conglomerate gold excursion areas, and minor areas of existing gravel rights on De Grey's tenure which are currently retained by third parties.