# NOVO RESOURCES CORP.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**Three Months Ended April 30, 2013**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Novo Resources Corp. for the three months ended April 30, 2013 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the condensed interim consolidated financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

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

| | Note | **April 30, 2013** **$** | **January 31, 2013** **$** |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | | |
| Cash and cash equivalents | | 4,479,540 | 5,293,833 |
| Receivables | 4 | 189,443 | 446,391 |
| Prepaid expenses and deposits | | 30,381 | 36,283 |
| **Total current assets** | | 4,699,364 | 5,776,507 |
| Non-current assets | | | |
| Marketable securities | 3 | 963,088 | 1,871,332 |
| Equipment | | 7,580 | 8,003 |
| Exploration and evaluation assets | 5 | 5,286,250 | 4,478,547 |
| **Total non-current assets** | | 6,256,918 | 6,357,882 |
| **Total assets** | | 10,956,282 | 12,134,389 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 205,218 | 299,027 |
| **Total current liabilities** | | 205,218 | 299,027 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 6 | 14,686,419 | 14,686,419 |
| Reserves | 6 | 841,085 | 850,177 |
| Accumulated other comprehensive income | | 27,935 | 38,486 |
| Accumulated deficit | | (4,735,058) | (3,675,228) |
| Non-controlling interest | | (69,317) | (64,492) |
| **Total shareholders' equity** | | 10,751,064 | 11,835,362 |
| **Total shareholders' equity and liabilities** | | 10,956,282 | 12,134,389 |

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on July 2, 2013. They are signed on the Company's behalf by:

*"David Velisek",* Director
David Velisek

*"Herrick Lau"*, Director
Herrick Lau

The accompanying notes are an integral part of these condensed Interim consolidated financial statements.

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

| | Note | Three Months Ended April 30, 2013 $ | 2012 $ |
|---|---|---|---|
| **Expenses** | | | |
| Advertising and promotion | | 1,380 | - |
| Accounting and audit | | 30,140 | 35,026 |
| Consulting services | 7 | 81,461 | 81,153 |
| Depreciation | | 510 | 504 |
| Filing fees | | 6,096 | 1,100 |
| Insurance | | 5,588 | 6,167 |
| Legal fees | | 14,486 | 20,269 |
| Meals and entertainment | | 1,469 | 1,360 |
| Office and general | | 8,244 | 15,720 |
| Professional development | | 1,038 | 2,805 |
| Property investigations | | 103 | 71,689 |
| Rent | | 5,253 | 2,819 |
| Share-based payments | 6 | (9,092) | 212,795 |
| Transfer agent fees | | 4,078 | 2,872 |
| Travel | | 1,474 | 5,603 |
| Wages and salaries | 7 | 29,836 | 31,192 |
| **Loss before other items** | | (182,064) | (491,074) |
| **Other items** | | | |
| Interest income | | 13,888 | 10,333 |
| Foreign exchange loss | | - | (945) |
| Impairment of marketable securities | 3 | (896,479) | - |
| | | (882,591) | 9,388 |
| **Net loss for the year** | | (1,064,655) | (481,686) |
| Loss attributable to: | | | |
| Shareholders of the Company | | (1,059,830) | (481,686) |
| Non-controlling interest | | (4,825) | - |
| **Other comprehensive income (loss)** | | | |
| Change in fair-value of marketable securities | | (11,764) | (117,733) |
| Impairment of marketable securities | | - | - |
| Foreign exchange on translation of subsidiaries | | 1,213 | - |
| | | (10,551) | (117,733) |
| **Comprehensive loss for the year** | | (1,075,206) | (599,419) |
| Comprehensive income (loss) attributable to: | | | |
| Shareholders of the Company | | (1,070,381) | (599,419) |
| Non-controlling interest | | (4,825) | - |
| **Basic and diluted loss per common share** | | (0.03) | (0.02) |
| **Weighted average number of common shares outstanding** | | 41,725,810 | 31,206,056 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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

| | Note | Number of Shares | Amount | Option Reserve | Warrant Reserve | Accumulated Other Comprehensive Income | Accumulated Deficit | Non-Controlling Interest | Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ |
| **Balance, January 31, 2012** | | **31,199,993** | **8,754,431** | **128,093** | **9,919** | **306,250** | **(1,311,677)** | **-** | **7,887,016** |
| Warrants exercised | 6 | 13,991 | 4,406 | - | (1,607) | - | - | - | 2,799 |
| Issuance of stock options | 6 | - | - | 212,795 | - | - | - | - | 212,795 |
| Other comprehensive loss for the period | | - | - | - | - | (117,733) | - | - | (117,733) |
| Loss for the period | | - | - | - | - | - | (481,686) | - | (481,686) |
| **Balance – April 30, 2012** | | **31,213,984** | **8,758,837** | **340,888** | **8,312** | **188,517** | **(1,793,363)** | **-** | **7,503,191** |
| | | | | | | | | | |
| **Balance, January 31, 2013** | | **41,725,810** | **14,686,419** | **687,304** | **162,873** | **38,486** | **(3,675,228)** | **(64,492)** | **11,835,362** |
| Issuance of Stock Options | | - | - | (9,092) | - | - | - | - | (9,092) |
| Other comprehensive loss for the period | | - | - | - | - | (10,551) | - | - | (10,551) |
| Loss for the period | | - | - | - | - | - | (1,059,830) | (4,825) | (1,064,655) |
| **Balance – April 30, 2013** | | **41,725,810** | **14,686,419** | **678,212** | **162,873** | **27,935** | **(4,735,058)** | **(69,317)** | **10,751,065** |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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

| | Three Months Ended April 30, 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net loss for the year | (1,064,655) | (481,686) |
| Adjustments for: | | |
| Depreciation | 510 | 504 |
| Foreign exchange | 1,127 | - |
| Share-based payments | (9,092) | 212,795 |
| Impairment of marketable securities | 896,479 | - |
| | (175,631) | (268,387) |
| Changes in non-cash working capital items: | | |
| Receivables | 256,948 | (15,882) |
| Prepaid expenses and deposits | 5,902 | 7,664 |
| Accounts payable and accrued liabilities | (40,726) | 36,643 |
| | 222,124 | 28,425 |
| **Net cash from (used in) operating activities** | 46,493 | (239,962) |
| **Investing activities** | | |
| Purchase of marketable securities | - | (1,000,000) |
| Expenditures on exploration and evaluation assets | (860,786) | (458,748) |
| **Net cash used in investing activities** | (860,786) | (1,458,748) |
| **Financing activities** | | |
| Issuance of share capital | - | 2,799 |
| Share issuance costs | - | - |
| **Net cash from financing activities** | **-** | 2,799 |
| **Net change in cash and cash equivalents** | (814,293) | (1,695,911) |
| **Cash and cash equivalents, beginning of year** | 5,293,833 | 5,141,201 |
| **Cash and cash equivalents, end of year** | **4,479,540** | 3,445,290 |
| **Cash and cash equivalents comprise:** | | |
| Cash | 743,290 | 130,790 |
| Cash equivalents | 3,736,250 | 3,314,500 |
| | 4,479,540 | 3,445,290 |

**Supplemental cash flow information (Note 8)**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## 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. The Company is engaged primarily in the business of evaluating, acquiring and exploring natural resource properties. The Company’s head office is located at 1980 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada.

On June 27, 2011, the Company changed its name from Galliard Resources Corp. to Novo Resources Corp. On June 29, 2011, the Company’s common shares began trading under the new symbol of “NVO” on the CNSX.

On August 14, 2012, the Company’s shares commenced trading in the United States on the OTC market’s prestigious tier, OTCQX International under the symbol of “NSRPF”.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRIC, on a basis consistent with the most recent annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended January 31, 2013.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as at fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of 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 judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in Note 2.

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

These condensed interim consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available on April 30, 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries listed below. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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, 2013, the subsidiaries of the Company are as follows:

| | Country of Incorporation | % of Interest |
|---|---|---|
| Novo Resources (USA) Corp. | Nevada, USA | 100% |
| Conglomerate Gold Exploration (B.V.I.) Ltd. | Tortola, British Virgin Islands | 100% |
| Conglomerate Gold Exploration Pty Ltd. | Western Australia, Australia | 63.33% |
| Nullagine Gold Pty Ltd. | Western Australia, Australia | 63.33% |
| Beatons Creek Gold Pty Ltd. | Western Australia, Australia | 63.33% |
| Grant's Hill Gold Pty Ltd. | Western Australia, Australia | 100% |

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. Non-controlling interests consist of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share in changes in equity since the date of acquisition. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

### Foreign Currency Translation

The functional currency of each of the Company's components 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 condensed interim consolidated financial statements are presented in Canadian dollars. Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the component's functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the component's functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into the component's functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the component's functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of 20% commencing when the related asset is available for use.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

### Exploration and evaluation assets

The Company is in the exploration 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. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations 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 farmout 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 income 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Exploration and evaluation assets (continued)

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 operations.

### Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability 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 operations. 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 April 30, 2013.

### 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.

### Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (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.

As at April 30, 2013, the Company has 20,866,924 (April 30, 2012 – 18,139,891) warrants and 1,797,500 (April 30, 2012 – 2,010,000) options outstanding.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments

### Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

### Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Cash and cash equivalents, and interest receivable are classified as loans and receivables.

### Available-For-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss is reclassified from accumulated other comprehensive income (loss) to profit or loss.

Marketable securities (common shares) are classified as available for sale.

### Fair Value through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. Fair value through profit or loss are measured at fair value, and changes are recognized in profit or loss.

Marketable securities (warrants) are classified as fair value through profit or loss.

### Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

### Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

### 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.

### Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including 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.

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. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short-term investments are fixed term deposits held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, and are recorded at fair value. As at April 30, 2013, the Company has three short-term investments totalling $3,736,250 of principal and $18,124 of interest due on December 11, 2013, January 10, 2014, and February 25, 2014 and with an annual yield of prime minus 1.65%, 1.65% and 1.8%, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgments and estimates

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

### Judgments

Information about critical judgments 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 financial statements within the next financial year are discussed below:

i) The 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 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.

ii) 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.

### Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income 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.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

### New standards, interpretations and amendments not yet effective

The following new standards, which have not been applied in these financial statements, may have an effect on the Company‘s future financial statements:

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### New standards, interpretations and amendments not yet effective (continued)

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after February 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the Company's investments classified as available-for-sale and fair value through profit and loss.

- IFRS 10 Consolidated Financial Statements

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on February 1, 2013.

- IFRS 11 Joint Arrangements

  IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on February 1, 2013.

- IFRS 12 Disclosures of Interests in Other Entities

  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on February 1, 2013.

- IFRS 13 Fair Value Measurement

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on February 1, 2013.

- IAS 1 Presentation of Financial Statements

  IAS 1 was amended to change the grouping of items presented in OCI. Items that would be reclassified to profit or loss at a future point in time will be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods. The Company is yet to assess the full impact of this amendment to IAS 1 and will adopt the standard for the annual period beginning on February 1, 2013.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after February 1, 2013 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

(Expressed in Canadian Dollars, unless stated otherwise)

## 3. MARKETABLE SECURITIES

At April 30, 2013, the Company held the following marketable securities:

| | April 30, 2013 | | | | |
|---|---|---|---|---|---|
| | Number | Cost | Accumulated Unrealized Gains/ (losses) | Impairment | Fair Value |
| Available-for-sale securities | | | | | |
| EurOmax Resources Ltd. Common Shares | 153,333 | $101,200 | $ - | $ (42,933) | $ 58,267 |
| Evolving Gold Corp. Common Shares | 2,000,000 | $560,000 | $ - | $ (370,000) | $ 190,000 |
| Prosperity Goldfields Corp. Common Shares | 1,987,527 | $1,000,000 | $ - | $ (831,060) | $ 168,940 |
| Pinetree Capital Ltd. Common Shares | 1,176,470 | $1,000,000 | $ - | $ (494,118) | $ 505,882 |
| Fair value through profit or loss | | | | | |
| EurOmax Resources Ltd. Warrants | 2,333,333 | $ - | $ - | $ - | $ - |
| Evolving Gold Corp. Warrants | 2,000,000 | $40,000 | $ - | $ - | $ 40,000 |
| Prosperity Goldfields Corp. Warrants | 833,333 | $ - | $ - | $ - | $ - |
| | | **$2,701,200** | **$ -** | **$ (1,738,111)** | **$ 963,089** |

| | January 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Number | Cost | Accumulated Unrealized Gains/ (losses) | Impairment | Fair Value |
| Available-for-sale securities | | | | | |
| EurOmax Resources Ltd. Common Shares | 153,333 | $101,200 | $ - | $ (9,200) | $ 92,000 |
| Evolving Gold Corp. Common Shares | 2,000,000 | $560,000 | $ - | $ (220,000) | $ 340,000 |
| Prosperity Goldfields Corp. Common Shares | 1,987,527 | $1,000,000 | $ - | $ (612,432) | $ 387,568 |
| Pinetree Capital Ltd. Common Shares | 1,176,470 | $1,000,000 | $11,764 | $ - | $ 1,011,764 |
| Fair value through profit or loss | | | | | |
| EurOmax Resources Ltd. Warrants | 2,333,333 | $ - | $ - | $ - | $ - |
| Evolving Gold Corp. Warrants | 2,000,000 | $40,000 | $ - | $ - | $ 40,000 |
| Prosperity Goldfields Corp. Warrants | 833,333 | $ - | $ - | $ - | $ - |
| | | **$2,701,200** | **$11,764** | **$ (841,632)** | **$ 1,871,332** |

(a) EurOmax Resources Ltd. Common Shares

On January 13, 2012, the Company acquired, from participating in a non-brokered private placement, 7,000,000 million units of EurOmax Resources Ltd. (“Euromax”), at a price of $0.22 per unit, for a total investment of $1,540,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each non-transferable share purchase warrant entitles the Company to purchase one additional common share of Euromax at a price of $0.30 per share for a period of two years from the date of issue.

The entire purchase price of $1,540,000 was allocated to the common shares, as the closing quoted bid price of Euromax on January 13, 2012 was greater than the $0.22 per unit purchase price. The value of the warrants on initial recognition was estimated to be $Nil. Management has estimated that the value of the warrants has not changed subsequent to initial recognition.

## 3. MARKETABLE SECURITIES (continued)

(a) EurOmax Resources Ltd. Common Shares (continued)

On October 17, 2012, Euromax consolidated its share capital (the “Consolidation”) on the basis of one post-Consolidation share for each three existing pre-Consolidation shares. The Company held 2,333,333 common shares and warrants of Euromax after post-Consolidation.

After Consolidation, the Company sold 2,180,000 common shares of Euromax for gross proceeds of $1,462,715. The Company has recorded realized gain of $12,171 net of $11,744 in commission charges during the year ended January 31, 2013.

No common share of Euromax has been sold during the three months ended April 30, 2013.

(b) Evolving Gold Corp. Common Shares

On August 13, 2012, the Company acquired, from participating in a non-brokered private placement, 2 million units of Evolving Gold Corp. (“Evolving”), at a price of $0.30 per unit, for a total investment of $600,000. Each unit consists of one common share and share purchase warrant. Each share purchase warrant entitles the Company to purchase one additional common share of Evolving at a price of $0.40 per share for a period of three years from the date of issue.

$560,000 of the total purchase price was allocated to the common shares, as the closing quoted bid price of Evolving on August 13, 2012 was $0.28, which is less than the $0.30 per unit purchase price. The value of the warrants on initial recognition was estimated to be $40,000. Management has estimated that the value of the warrants has not changed subsequent to initial recognition.

(c) Prosperity Goldfields Corp. Common Shares

On April 24, 2012, the Company purchased from Evolving 1,987,527 common shares (the “Prosperity Shares”) and 833,333 share purchase warrants (the “Prosperity Warrants”) of Prosperity Goldfields Corp. (“Prosperity”) in consideration for $1,000,000. Of these securities, 596,258 of the Prosperity Shares and 250,000 of the Prosperity Warrants were held in escrow as of April 30, 2013.

The entire purchase price of $1,000,000 was allocated to the common shares, as the closing quoted bid price of Prosperity on April 24, 2012 was greater than the $0.50 per common share purchase price. The value of the warrants on initial recognition was estimated to be $Nil. Management has estimated that the value of the warrants has not changed subsequent to initial recognition.

(d) Pinetree Capital Ltd. Common Shares

The Company entered into a share exchange agreement with Pinetree Capital Ltd. (“Pinetree”) whereby the Company issued 1,428,571 common shares at a value of $0.70 per share in consideration for the issuance of 1,176,470 common shares of Pinetree at a value of $0.85 per share on January 16, 2013. The fair value of the shares exchanged was estimated by comparison to their respective closing quoted bid price on the share exchange date of January 16, 2013.

During the period ended April 30, 2013, management determined the decline in the value of the common shares held in Euromax, Evolving, Prosperity and Pinetree to be significant and therefore, the Company recognized an impairment on marketable securities of $1,738,111 in the statement of comprehensive loss.

(Expressed in Canadian Dollars, unless stated otherwise)

## 4. RECEIVABLES

| | April 30, 2013 | January 31, 2013 |
|---|---|---|
| Canadian GST receivable | $ 69,715 | $ 57,402 |
| Australian GST receivable | 101,604 | 380,566 |
| Interest receivable | 18,124 | 7,975 |
| Due from shareholder | - | 448 |
| **Total receivable** | **$ 189,443** | **$ 446,391** |

## 5. EXPLORATION AND EVALUATION ASSETS

### Millennium Property

On August 2, 2011 (the "Effective Date"), the Company and Beatons Creek Gold Pty Ltd. ("Beatons Creek"), a subsidiary of the Company, entered into a farm-in and joint venture agreement (the "Millennium Agreement") with Millennium Minerals Ltd. ("Millennium"). As consideration for the farm-in right to earn the 70% interest in and to the Beatons Creek Tenements, the Company issued 1,293,875 common shares to Millennium. In order to earn a 70% interest in the Beatons Creek Tenements, the Company must issue to Millennium such number of common shares of the Company having a value of AUD$500,000, incur expenditures on the Beatons Creek Tenements of not less than AUD$1,000,000 by the second anniversary of the Effective Date, including not less than AUD$500,000 by the first anniversary of the Effective Date, and procuring (at its cost) a bankable feasibility study in respect of the gold rights before the fifth anniversary of the Effective Date. The Company will solely fund all expenditures on the Beatons Creek Tenements required under the *Mining Act 1978* (Western Australia) in relation to gold rights, and Millennium will not be required to fund any such expenditures on the Beatons Creek Tenements during the farm-in period. Millennium will bear costs associated with exploring for and recovering minerals other than gold.

As at April 30, 2013, the Company has completed the following requirements to fulfill its obligation under the Millennium Agreement:

| Date | Shares | Exploration Expenditures |
|---|---|---|
| Upon signing of the Millennium Agreement | 1,293,875 shares (Issued) | - |
| August 2, 2012 | - | $500,000 AUD (Completed) |
| August 2, 2013 | - | $500,000 AUD (Completed) |
| **Total** | 1,293,875 shares (Issued) | $1,000,000 AUD (Completed) |

On December 16, 2011, the Company and Millennium entered into a tribute agreement (the "Tribute Agreement") with Gravity Gold Pty Ltd. ("Gravity Gold") by which Gravity Gold is entitled to produce gold from alluvial deposits at the Beatons Creek Tenements. Gravity Gold will pay a 10% production royalty to the Company on all gold production. The Tribute Agreement has a maximum term of three years. The Company is focused on exploring for the bedrock source of this alluvial gold mineralization, and any activities conducted by Gravity Gold during mining of alluvial deposits will not interfere with the Company's exploration efforts.

## 5. EXPLORATION AND EVALUATION ASSETS (continued)

### Paleo-Placer Property

The Company, Conglomerate Gold Exploration Pty Ltd ("CGE"), and Nullagine Gold Pty Ltd ("Nullagine Gold"), entered into four farm-in and joint venture agreements (the "JVA") dated July 16, 2012 and one deed of variation dated September 7, 2012 with Witx Pty Ltd, Mark Gareth Creasy, Whim Creek Mining Pty Ltd, and Tantalumx Pty Ltd. (collectively the "Creasy Group") of Western Australia. As consideration for the farm-in right to acquire a 70% interest in all gold rights, the Company must spend AUD$1 million on exploration expenditure across the Paleo-Placer Property. The Company will solely fund all expenditures on the Paleo-Placer Property.

CGE will reimburse past exploration expenditure on the Paleo-Placer Property incurred by the Creasy Group, as verified by CGE, up to a maximum of AUD$5.5 million. The reimbursement is contingent on CGE achieving a listing on a recognized stock exchange (an "IPO") within 4 years of the execution of the JVA's. The reimbursement will be paid from net funds raised in an IPO (if completed) and subsequent funding rounds (if completed), capped at 10% of net funds from each round, until the verified expenditure is reimbursed. If CGE has not achieved an IPO within 4 years, the Paleo-Placer Property will be returned to 100% ownership by the Creasy Group at no cost, unless otherwise agreed. If a mining decision is made under any of the JVA's following a bankable feasibility study but the Creasy Group elects not to participate in mining, its interest in relation to that mining area and the underlying ground will be transferred to Nullagine Gold and converted to a 1% net smelter royalty.

The Company, Conglomerate Gold Exploration (B.V.I.) Ltd ("CGE BVI"), and CGE have also entered into a CGE Shareholders Agreement and a CGE Share Issue Agreement with Yandal Investments Pty Ltd and Mark Gareth Creasy (collectively "Creasy"). Novo initially controls 63.33% of the issued shares in CGE and Creasy controls 36.67%. CGE is entitled to spend (via Nullagine Gold and Beatons Creek Gold) up to a further AUD$3.5 million in aggregate on the Paleo-Placer Property and the Beatons Creek tenements to increase its shareholding in CGE to 81% (and reducing Creasy's interest to 19%), subject to a maximum included expenditure on Beatons Creek tenements of AUD$2 million. Creasy is obliged to use its best endeavours to negotiate a right for Nullagine Gold to participate in an existing adjacent joint venture to which Creasy is a party, including bringing certain ground within that joint venture. In return, Creasy's and one other party's interests under that joint venture with respect to exploration expenditure will be free carried by Nullagine Gold and CGE will reimburse AUD$125,000 to Creasy. If CGE achieves an IPO it will also issue AUD$50,000 of shares in CGE to a former tenement holder. If Creasy does not satisfy the obligation prior to an IPO of CGE (if completed) then Creasy will forfeit 23.3% of its shareholding in CGE. Prior to an IPO of CGE (if completed) that 23.3% of CGE shares shall have no voting or dividend rights. If the obligation is satisfied then the ground within that joint venture will be included within the minimum expenditure commitments and additional expenditure entitlements referred above.

The Company has entered into loan agreements with its subsidiaries to fund their obligations under the JVA's. The Company is entitled to be reimbursed up to AUD$500,000 for IPO related costs of CGE (if completed) and stamp duty costs of Nullagine Gold.

### Grant's Hill Property

On June 26, 2012, the Company entered into a sale and purchase agreement with Welcome Stranger Mining Ltd. ("Welcome Stranger"). As consideration for the prospecting licence, mining information and title transfer of the P46/1806 tenement, the Company paid AUD$60,000 plus GST to Welcome Stranger.

On April 11, 2013, the Company entered into a sale and purchase agreement with Talga Resources Limited ("Talga Resources"). As consideration for the prospecting licence and title transfer of the P46/1748 and P46/1749 tenements, the Company paid AUD$40,000 plus GST to Talga Resources.

(Expressed in Canadian Dollars, unless stated otherwise)

## 5. EXPLORATION AND EVALUATION ASSETS (continued)

The exploration and evaluation assets are comprised as follows:

| | Beatons Creek $ | Grant's Hill $ | Paleo-Placer $ | Total $ |
|---|---|---|---|---|
| Balance, January 31, 2013 | 3,385,948 | 66,131 | 1,026,468 | 4,478,547 |
| Acquisition Costs | - | 41,780 | 783 | 42,563 |
| Exploration Expenditures: | | | | |
| Drilling | 176,198 | - | - | 176,198 |
| Feasibility Study | 76,448 | - | - | 76,448 |
| Field Work | 60,476 | 1,410 | 23,432 | 85,318 |
| Fuel | 3,413 | - | 1,340 | 4,753 |
| Geology | 20,182 | - | 43,179 | 63,361 |
| Legal | 3,730 | - | 26,887 | 30,617 |
| Meals & Travel | 41,756 | - | 24,318 | 66,074 |
| Office and General | 32,798 | 1,375 | 12,993 | 47,166 |
| Reports, Data and Analysis | 23,944 | 4,230 | 65,468 | 93,642 |
| Rock Samples | 44,601 | 337 | 7,857 | 52,795 |
| Tenement Administration | 3,134 | 81 | 54,810 | 58,025 |
| Foreign Exchange | 8,124 | 159 | 2,460 | 10,743 |
| | 494,804 | 7,592 | 262,744 | 765,140 |
| **Balance, April 30, 2013** | **3,880,752** | **115,503** | **1,289,995** | **5,286,250** |

| | Beatons Creek $ | Grant's Hill $ | Paleo-Placer $ | Total $ |
|---|---|---|---|---|
| Balance, January 31, 2012 | 933,822 | - | - | 933,822 |
| Acquisition Costs | - | 62,520 | 288,806 | 351,326 |
| Exploration Expenditures: | | | | |
| Drilling | 1,045,598 | - | 209,032 | 1,254,630 |
| Feasibility Study | 23,250 | - | - | 23,250 |
| Field Work | 222,219 | 469 | 110,242 | 332,930 |
| Fuel | 5,527 | - | 5,320 | 10,847 |
| Geology | 162,127 | - | 125,572 | 287,699 |
| Legal | 23,473 | - | 26,833 | 50,306 |
| Meals & Travel | 133,645 | - | 60,321 | 193,966 |
| Office and General | 73,026 | - | 33,701 | 106,727 |
| Reports, Data and Analysis | 151,916 | 1,250 | 70,742 | 223,908 |
| Rock Samples | 597,390 | - | 42,205 | 639,595 |
| Tenement Administration | 10,352 | 1,892 | 53,694 | 65,938 |
| Foreign Exchange | 3,603 | - | - | 3,603 |
| | 2,452,126 | 3,611 | 737,662 | 3,193,399 |
| **Balance, January 31, 2013** | **3,385,948** | **66,131** | **1,026,468** | **4,478,547** |

(Expressed in Canadian Dollars, unless stated otherwise)

## 6. CAPITAL AND RESERVES

### Authorized

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

During the year ended January 31, 2013:

(a) On December 12, 2012, the Company completed a brokered private placement of 5,795,400 units at a price of $0.65 per unit for gross proceeds of $3,767,010. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.90 per share for a period of 2 years from the closing date of the private placement. As part of the private placement, the Company incurred share issuance costs of $486,437, which included 334,524 broker's warrants. The broker's warrants were granted to the broker of the private placement with an exercise price of $0.65 and expire in 2 years. The broker's warrants were valued at fair value of $162,869. The fair value of these warrants was $0.49 per share where the exercise price is $0.65 and the fair value of each warrant granted is calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.09%, a dividend yield of $Nil, an expected volatility of 123% and an average expected life of 2 years. The average remaining contractual life in years is 1.62. As of April 30, 2013, 334,524 of the broker's warrants remain outstanding.

### Escrowed shares

As at April 30, 2013, the Company has 502,500 common shares held in escrow. All of the remaining common shares held in escrow will be released on June 14, 2013.

### Warrants

The continuity of warrants is as follows:

| | **April 30, 2013** | | **January 31, 2013** | |
|---|---|---|---|---|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Balance, beginning of period | 20,866,924 | $ 0.68 | 18,153,882 | $ 0.58 |
| Granted | - | $ - | 6,129,924 | $ 0.89 |
| Expired | - | $ - | (177,536) | $ 0.50 |
| Exercised | - | $ - | (3,239,346) | $ 0.49 |
| Balance, end of period | 20,866,924 | $ 0.68 | 20,866,924 | $ 0.68 |

Full share equivalent warrants outstanding and exercisable at of April 30, 2013:

| **Expiry Date** | **Price Per Share** | **Warrants Outstanding** |
|---|---|---|
| November 30, 2013 | $ 0.60 | 14,737,000 |
| December 12, 2014 | $ 0.90 | 5,795,400 |
| December 12, 2014 | $ 0.65 | 334,524 |
| | | 20,866,924 |

(Expressed in Canadian Dollars, unless stated otherwise)

## 6. CAPITAL AND RESERVES (continued)

### 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 Canadian National Stock Exchange ("CNSX").

The continuity of stock options is as follows:

| | **April 30, 2013** | | **January 31, 2013** | |
|---|---|---|---|---|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Options outstanding, beginning of year | 1,797,500 | $ 0.38 | 700,000 | $ 0.26 |
| Granted | - | $ - | 1,310,000 | $ 0.45 |
| Exercised | - | $ - | (62,500) | $ 0.35 |
| Expired | - | $ - | (150,000) | $ 0.48 |
| Options outstanding, end of year | 1,797,500 | $ 0.38 | 1,797,500 | $ 0.38 |

The options outstanding and exercisable at April 30, 2013 are as follows:

| **Outstanding Options** | | | **Exercisable Options** | |
|---|---|---|---|---|
| Number Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Number Exercisable | Weighted Average Exercise Price |
| 250,000 | $ 0.20 | 7.36 | 250,000 | $ 0.20 |
| 275,000 | $ 0.20 | 7.53 | 275,000 | $ 0.20 |
| 1,272,500 | $ 0.45 | 4.06 | 636,250 | $ 0.45 |
| 1,797,500 | $ 0.38 | 5.05 | 1,161,250 | $ 0.34 |

On February 20, 2012, the Company granted 1,310,000 stock options to certain directors, officers and consultants. The options are exercisable on or before February 20, 2017 at an exercise price of $0.45 per share. 327,500 options vested immediately, 327,500 options vested on August 20, 2012, and 327,500 options vested on Feb 19, 2013, while the remaining 655,000 options carry the following vesting schedule:

| Number of Options | Vesting Date |
|---|---|
| 327,500 | Aug 20, 2013 |

The weighted average fair value of options, estimated using the Black-Scholes option pricing model, was $0.37 per option for the options granted to directors and officers (April 30, 2012 - $0.39) and $0.51 per option for the options granted to consultants (April 30, 2012 - $0.37).

For the period ended April 30, 2013, share-based payment of $9,092 was reversed (April 30, 2012 - the total share-based payment was $212,795) as the assumptions to estimate the fair value of the options granted to certain directors, officers and consultants have been revised.

(Expressed in Canadian Dollars, unless stated otherwise)

## 6. CAPITAL AND RESERVES (continued)

**Share option plan** (continued)

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

| | 2014 | 2013 |
|---|---|---|
| Risk-free interest rate | 1.16% - 1.49% | 1.12% - 1.5% |
| Dividend yield | - | - |
| Expected volatility | 110% - 147% | 49% - 145% |
| Expected option life | 3.81 years – 5 years | 0.25 years – 4.06 years |
| Forfeitures | - | - |

Option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect the fair value estimates.

## 7. RELATED PARTY DISCLOSURES

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.

(a) *Key Management Personnel Disclosures*

During the periods ended April 30, 2013 and 2012, the following amounts were incurred with respect to the Chief Executive Officer, the Chief Financial Officer and directors of the Company:

| | April 30, 2013<br>$ | April 30, 2012<br>$ |
|---|---|---|
| Consulting services | 42,000 | 33,250 |
| Wages and salaries | 8,835 | 20,071 |
| Wages and salaries included in exploration and evaluation assets | 33,038 | 20,071 |
| Share-based payments | 11,729 | 114,378 |
| | 95,602 | 187,770 |

(b) *Other Related Party Disclosures*

During the periods ended April 30, 2013 and 2012, the following amounts were incurred with respect to a corporation controlled by the Chief Financial Officer:

| | April 30, 2013<br>$ | April 30, 2012<br>$ |
|---|---|---|
| Consulting services | 30,000 | 30,000 |
| | 30,000 | 30,000 |

(Expressed in Canadian Dollars, unless stated otherwise)

## 8. SUPPLEMENTAL CASH FLOW INFORMATION

During the periods ended April 30, 2013 and 2012 non-cash activities were conducted by the Company as follows:

| | April 30, 2013 | April 30, 2012 |
|---|---|---|
| | $ | $ |
| Operating activities | | |
| Interest paid | - | - |
| Income tax paid | - | - |
| Decrease in accounts payable and accrued liabilities | 53,083 | 52,992 |
| Investing activities | | |
| Decrease in exploration and evaluation assets | (53,083) | (52,992) |

## 9. FINANCIAL INSTRUMENTS

### a) Fair value

The Company's financial instruments include cash and cash equivalents, marketable securities (warrants and common shares), and accounts payable and accrued liabilities. IFRS 7 establishes a 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 – applied 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 accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature.

Cash and cash equivalents and marketable securities (common shares) are measured using Level 1 inputs. The fair values of marketable securities (common shares) are measured at the closing market price obtained from the exchange.

Marketable securities (warrants) are measured using Level 3 inputs. The fair values of marketable securities (warrants) are based on management's assessment of realizable value.

### b) Credit Risk

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

(Expressed in Canadian Dollars, unless stated otherwise)

## 9. FINANCIAL INSTRUMENTS (continued)

### c) Foreign Exchange Rate Risk

The Company has operations in Canada and Australia 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 profitability 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, US dollar, and the Australian dollar.

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

At April 30, 2013 and January 31, 2013 the Company's Australian and US dollar denominated monetary assets and monetary liabilities are as follows:

| **Australian Monetary assets** | **April 30, 2013** | **January 31, 2013** |
|---|---|---|
| Cash and cash equivalents | 190,843 | 7,218 |
| Accounts payable and accrued liabilities | 165,961 | 241,229 |

| **US Monetary assets** | **April 30, 2013** | **January 31, 2013** |
|---|---|---|
| Cash and cash equivalents | 34,859 | 14,732 |
| Accounts payable and accrued liabilities | 2,318 | 12,371 |

The exposure to foreign exchange rate risk is considered minimal.

### d) Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. All of the Company's financial liabilities are classified as current and the Company has a practice of paying their outstanding payables within 30 days.

### e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and evaluation activities is subject to risks associated with fluctuations in the market price of commodities.

As at April 30, 2013, the Company owns common shares and share purchase warrants included in marketable securities. By holding these marketable securities, the Company is inherently exposed to various risk factors including market price risk.

### (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 banks and GICs 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. The Company has no interest bearing borrowings.

(Expressed in Canadian Dollars, unless stated otherwise)

## 10. MANAGEMENT OF CAPITAL RISK

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, cash and cash equivalents and marketable securities.

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.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. 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 year.

## 11. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographic information comprising exploration and evaluation assets is as follows:

| | **April 30, 2013** | **January 31, 2013** |
|---|---|---|
| | **$** | **$** |
| Exploration and evaluation assets | | |
| - Australia | 5,286,250 | 4,478,547 |
| | 5,286,250 | 4,478,547 |