

NOVO RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended July 31, 2014

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOVO RESOURCES CORP.

Condensed Interim Consolidated Financial Statements
Six Months Ended July 31, 2014

**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 six months ended July 31, 2014 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	July 31, 2014 \$	January 31, 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		9,982,403	10,607,297
Receivables	4	271,203	121,541
Prepaid expenses and deposits		30,358	44,640
Total current assets		10,283,964	10,773,478
Non-current assets			
Marketable securities	3	89,339	141,275
Equipment		5,469	6,692
Exploration and evaluation assets	5,7	9,043,317	6,667,538
Total non-current assets		9,138,125	6,815,505
Total assets		19,422,089	17,588,983
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		651,686	93,399
Total current liabilities		651,686	93,399
SHAREHOLDERS' EQUITY			
Share capital	6	24,681,415	23,006,426
Reserves	6	702,712	842,964
Accumulated other comprehensive income		(69,888)	(369,543)
Accumulated deficit		(6,411,080)	(5,879,346)
Non-controlling interest		(132,756)	(104,917)
Total shareholders' equity		18,770,403	17,495,584
Total shareholders' equity and liabilities		19,422,089	17,588,983

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on September 24, 2014. 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 July 31,		Six Months Ended July 31,	
		2014 \$	2013 \$	2014 \$	2013 \$
Expenses					
Accounting and audit		28,317	57,391	60,138	87,531
Consulting services	7	74,299	73,281	148,781	154,742
Insurance		8,124	8,438	16,133	14,026
Legal fees		30,379	43,666	57,408	58,152
Meal and travel expenses		1,128	3,009	14,115	5,952
Office and general		31,747	24,020	76,599	40,548
Share-based payments	6,7	-	19,864	-	10,772
Transfer agent and filing fees		12,656	12,290	25,950	22,464
Wages and salaries	7	69,751	33,283	135,647	63,119
Loss before other items		(256,401)	(275,242)	(534,771)	(457,306)
Other items					
Interest income		29,370	12,719	59,518	26,607
Impairment of marketable securities	3	(20,336)	951	(84,320)	(895,528)
Foreign exchange loss		-	(72)	-	(72)
Realized loss on sale of marketable securities		-	(296,781)	-	(296,781)
		9,034	(283,183)	(24,802)	(1,165,774)
Net loss for the period		(247,367)	(558,425)	(559,573)	(1,623,080)
Loss attributable to:					
Shareholders of the Company		(235,037)	(537,934)	(531,734)	(1,597,764)
Non-controlling interest		(12,330)	(20,491)	(27,839)	(25,316)
Other comprehensive income (loss)					
Change in fair-value of marketable securities		33,917	(895,528)	32,384	(907,292)
Impairment of marketable securities		-	895,528	-	895,528
Foreign exchange on translation of subsidiaries		(42,056)	(692,652)	267,271	(691,439)
		(8,139)	(692,652)	299,655	(703,203)
Comprehensive loss for the period		(255,506)	(1,251,077)	(259,918)	(2,326,283)
Comprehensive loss attributable to:					
Shareholders of the Company		(243,176)	(1,230,586)	(232,079)	(2,300,967)
Non-controlling interest		(12,330)	(20,491)	(27,839)	(25,316)
Weighted average number of common shares outstanding					
		56,717,559	41,730,644	56,318,292	41,728,267
Basic and diluted loss per common share					
		(0.00)	(0.01)	(0.01)	(0.04)

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, 2013		41,725,810	14,686,419	687,304	162,873	38,486	(3,675,228)	(64,492)	11,835,362
Warrants exercised	6	19,450	11,670	-	-	-	-	-	11,670
Options exercised	6	10,000	8,998	(4,498)	-	-	-	-	4,500
Issuance of stock options	6	-	-	10,772	-	-	-	-	10,772
Other comprehensive loss for the period		-	-	-	-	(703,203)	-	-	(703,203)
Loss for the period		-	-	-	-	-	(1,597,764)	(25,316)	(1,623,080)
Balance – July 31, 2013		41,755,260	14,707,087	693,578	162,873	(664,717)	(5,272,992)	(89,808)	9,536,021
Balance – January 31, 2014		55,585,310	23,006,426	692,263	150,701	(369,543)	(5,879,346)	(104,917)	17,495,584
Warrants exercised	6	1,744,748	1,628,223	-	(119,111)	-	-	-	1,509,112
Options exercised	6	112,500	46,766	(21,141)	-	-	-	-	25,625
Other comprehensive loss for the period		-	-	-	-	299,655	-	-	299,655
Loss for the period		-	-	-	-	-	(531,734)	(27,839)	(559,573)
Balance – July 31, 2014		57,442,558	24,681,415	671,122	31,590	(69,888)	(6,411,080)	(132,756)	18,770,403

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

	Six Months Ended July 31,	
	2014	2013
	\$	\$
Operating activities		
Net loss for the period	(559,573)	(1,623,080)
Adjustments for:		
Interest income	(59,518)	(26,607)
Depreciation	1,097	1,027
Foreign exchange	267,397	(691,676)
Realized loss on marketable securities	-	296,781
Impairment of marketable securities	84,320	895,528
Share-based payments	-	10,772
	<u>(266,277)</u>	<u>(1,137,255)</u>
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	16,427	(43,801)
Prepaid expenses and deposits	14,282	4,271
Receivables	(149,662)	307,432
	<u>(118,953)</u>	<u>267,902</u>
Net cash provided by operating activities	<u>(385,230)</u>	<u>(869,353)</u>
Investing activities		
Interest income	59,518	26,607
Selling of marketable securities, net of commissions	-	230,219
Expenditures on exploration and evaluation assets	(1,833,919)	(713,251)
	<u>(1,774,401)</u>	<u>(456,425)</u>
Net cash used in investing activities	<u>(1,774,401)</u>	<u>(456,425)</u>
Financing activities		
Issuance of share capital	1,534,737	16,170
	<u>1,534,737</u>	<u>16,170</u>
Net cash from financing activities	<u>1,534,737</u>	<u>16,170</u>
Net change in cash and cash equivalents	(624,894)	(1,309,608)
Cash and cash equivalents, beginning of the period	10,607,297	5,293,833
	<u>10,607,297</u>	<u>5,293,833</u>
Cash and cash equivalents, end of the period	<u>9,982,403</u>	<u>3,984,225</u>
Cash and cash equivalents comprise:		
Cash	790,153	882,975
Cash equivalents	9,192,250	3,101,250
	<u>9,982,403</u>	<u>3,984,225</u>

Supplemental cash flow information (Note 8)

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

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

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 Canadian Securities Exchange (the "CSE").

On August 14, 2012, the Company's shares commenced trading in the United States on the OTC market's 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, 2014.

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 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 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.

These condensed interim consolidated financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available on July 31, 2014.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

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 July 31, 2014, 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:

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

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 July 31, 2014, the Company has three short-term investments totalling \$9,192,250 of principal and \$72,719 of interest due on December 2, 2014 and February 24, 2015, and with annual yields of prime minus 1.8% and 1.9% respectively.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 July 31, 2014.

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 July 31, 2014, the Company has 4,360,176 warrants (January 31, 2014 – 6,104,924) and 1,585,000 options outstanding (January 31, 2014 – 1,697,500).

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

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 receivables 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.

NOVO RESOURCES CORP.

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Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial Instruments (continued)****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.

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 period which are unpaid.

Government Grants

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

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

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.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

iii) Impairment of marketable securities

The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the marketable securities is less than its original cost at each reporting period.

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.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments

Effective February 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards.

- **Amendment to IAS 1, Presentation of Financial Statements**

The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss. The Company has updated the presentation of OCI on the face of the Statement of Comprehensive Income.
- **IFRS 7 Financial Statements: Disclosures**

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.
- **IFRS 10 Consolidated Financial Statements**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.
- **IFRS 11 Joint Arrangements**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.
- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.
- **IFRS 13 Fair Value Measurement**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

NOVO RESOURCES CORP.

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Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments (continued)

The following new standards have been issued by the IASB but are not yet effective:

- 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.

NOVO RESOURCES CORP.

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014****3. MARKETABLE SECURITIES**

At July 31, 2014, the Company held the following marketable securities:

	July 31, 2014				
	Number	Cost	Accumulated Unrealized Gains/ (losses)	Cumulative Impairment	Fair Value
Available-for-sale securities					
EurOmax Resources Ltd. Common Shares	153,333	\$101,200	\$ 31,433	\$(78,200)	\$54,433
Evolving Gold Corp. Common Shares	2,000,000	\$560,000	\$ -	\$(540,000)	\$20,000
Prosperity Goldfields Corp. Common Shares	496,882	\$1,000,000	\$ 2,484	\$(987,578)	\$14,906
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	208,333	\$ -	\$ -	\$ -	\$ -
		\$1,701,200	\$ 33,917	\$(1,645,778)	\$89,339

	January 31, 2014				
	Number	Cost	Accumulated Unrealized Gains/ (losses)	Cumulative Impairment	Fair Value
Available-for-sale securities					
EurOmax Resources Ltd. Common Shares	153,333	\$101,200	\$ 1,533	\$(61,333)	\$41,400
Evolving Gold Corp. Common Shares	2,000,000	\$560,000	\$ -	\$(480,000)	\$80,000
Prosperity Goldfields Corp. Common Shares	496,882	\$1,000,000	\$ -	\$(980,125)	\$19,875
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	208,333	\$ -	\$ -	\$ -	\$ -
		\$1,701,200	\$ 1,533	\$(1,561,458)	\$141,275

(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. All warrants have expired on January 13, 2014 without exercising.

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Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

3. MARKETABLE SECURITIES (continued)

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

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

After the Euromax 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 \$11,742 in commission charges during the year ended January 31, 2013.

No common shares of Euromax have been sold during the period ended July 31, 2014 and the year ended January 31, 2014.

During the period ended July 31, 2014, the Company recognized a gain of \$29,900 in the statement of other comprehensive loss. Also, management determined the decline in the value of the common shares held in Euromax and recognized an impairment on marketable securities of \$16,867 in the statement of loss.

(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 determined the decline in the value of the warrants to be significant and therefore, the Company recognized impairment on marketable securities of \$40,000 in the statement of loss during the year ended January 31, 2014.

No common shares of Evolving have been sold during the period ended July 31, 2014 and the year ended January 31, 2014.

During the period ended July 31, 2014, management determined the decline in the value of the common shares held in Evolving, the Company recognized an impairment on marketable securities of \$60,000 in the statement of loss.

(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.

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. All warrants have expired on November 5, 2013 without exercising.

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Notes to the Condensed Interim Consolidated Financial Statements

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3. MARKETABLE SECURITIES (continued)

(c) Prosperity Goldfields Corp. Common Shares (continued)

On October 17, 2013, Prosperity consolidated its share capital (the "Prosperity Consolidation") on the basis of one post-Prosperity Consolidation share for each four existing pre-Prosperity Consolidation shares. The Company held 496,882 common shares and 208,333 warrants of Prosperity after post-Prosperity Consolidation.

No common shares of Prosperity have been sold during the period ended July 31, 2014 and the year ended January 31, 2014.

During the period ended July 31, 2014, the Company recognized a gain of \$2,484 in the statement of other comprehensive loss. Also, management determined the decline in the value of the common shares held in Prosperity, the Company recognized an impairment on marketable securities of \$7,453 in the statement of loss.

4. RECEIVABLES

	July 31, 2014	January 31, 2014
Canadian GST receivable	\$16,822	\$35,670
Australian GST receivable	\$179,457	\$65,219
Interest receivable	\$72,719	\$20,652
Other receivable	\$2,205	-
Total receivable	\$271,203	\$121,541

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 July 31, 2014, the Company has completed the following requirements to fulfill its obligations 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)

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Notes to the Condensed Interim Consolidated Financial Statements

July 31, 2014

5. EXPLORATION AND EVALUATION ASSETS (continued)

Millennium Property (continued)

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.

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 was required to spend AUD\$1 million on exploration expenditure across the Paleo-Placer Property, which has been completed. The Company will solely fund all expenditures on the Paleo-Placer Property. As at July 31, 2014, the Company has fulfilled its obligation to spend AUD\$1 million on exploration expenditure.

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 if 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 (the "Adjacent Joint Venture") to which Creasy is a party, including bringing certain ground within that Adjacent 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 the Adjacent Joint Venture will be included within the minimum expenditure commitments and additional expenditure entitlements referred above.

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Notes to the Condensed Interim Consolidated Financial Statements

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Paleo-Placer Property (continued)

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.

Binding Terms Sheet

On March 4, 2014, the Company signed a binding terms sheet with Mark Gareth Creasy and entities controlled by him (collectively, the "Creasy Group") pursuant to which the Company will acquire a 70% interest in 103 separate tenements and tenement applications located in the Pilbara region of Western Australia and related mining information (collectively, the "Pilbara Assets"), and will also acquire the shares of CGE not currently owned by the Company (the "Creasy CGE Shares"). The parties are now working on the definitive agreements that will replace the binding terms sheet. Except for the acquisition of a portion of the Creasy CGE Shares, completion of the transactions is subject to a number of conditions, including, but not limited to, the completion of due diligence investigations to the Company's satisfaction and the receipt of all necessary regulatory approvals or consents.

The Company will issue 9 million common shares in consideration for the Pilbara Assets once definitive agreements are signed and pre-completion conditions are satisfied. In addition, a total of 8.66 million common shares of the Company will be issued in consideration for the Creasy CGE Shares, of which approximately 76.7% of the Creasy CGE Shares (which are not in escrow) will be acquired immediately in exchange for 6,646,047 of the Company's common shares (issued on March 4, 2014 and currently in escrow), and approximately 23.3% of the Creasy CGE Shares which are currently in escrow will be subsequently acquired, subject to the satisfaction of the applicable escrow conditions, in exchange for the issue of 2,013,953 of the Company's common shares.

The Company will also issue common shares (the "Pilbara Expense Reimbursement Shares") in reimbursement of up to AUD \$12 million in exploration expenses incurred by the Creasy Group in connection with the Pilbara Assets. The Pilbara Expense Reimbursement Shares will be issued at the time designated by the Creasy Group at a price not less than the closing price of the Company's shares on March 3, 2014. The Creasy Group has rights to elect to be reimbursed for those exploration expenses in cash (in part or whole) on a staged basis over time, subject to a maximum initial cash reimbursement by the Company of AUD \$2 million. The reimbursement in shares or cash must be completed within four years.

The Company will also issue common shares (the "BC and MB Expense Reimbursement Shares") in reimbursement of up to AUD \$5.5 million in exploration expenses incurred by the Creasy Group in connection with the Beatons Creek (Millennium) and Marble Bar (Paleo-Placer) properties. The number of shares issued will be 5.0 million common shares, to be reduced on a prorata basis if the exploration expenses are verified at an amount less than AUD \$5.5 million.

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.

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014**

5. EXPLORATION AND EVALUATION ASSETS (continued)**Sunday Silence Property**

On September 30, 2013, Novo Resources (USA) Corp. ("Novo USA"), one of the Company's wholly-owned subsidiaries, signed a letter agreement (the "Letter Agreement") with Marcus Smith ("Mr. Smith") to acquire an undivided 100% interest in and to the Sunday Silence Property (the "Sunday Silence Property"), subject to a 3% net smelter return ("NSR") to Mr. Smith, with an option to buy 50% of the NSR for USD\$150,000 at any time. The Sunday Silence Property, located in the Churchill and Mineral Counties of Nevada, USA, is comprised of 124 unpatented mineral claims and an additional 12 staked lode mining claims.

As at July 31, 2014, the Company has the following future requirements to fulfill its obligation under the Letter Agreement:

Date	Cash Payments
Upon signing of the Letter Agreement	\$10 USD(Paid)
September 30, 2015	\$40,000 USD
September 30, 2016	\$60,000 USD
Total	\$100,010 USD

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014****5. EXPLORATION AND EVALUATION ASSETS (continued)**

The exploration and evaluation assets are comprised as follows:

	Beatons Creek \$	Grant's Hill \$	Paleo-Placer \$	Sunday Silence \$	Total \$
Balance, January 31, 2014	3,910,324	341,198	2,399,337	16,679	6,667,538
Acquisition Costs	-	-	-	-	-
Exploration Expenditures:					
Drilling	1,982	-	919	-	2,901
Feasibility Study	-	-	-	-	-
Field Work	9,787	1,090	670,813	150	681,840
Fuel	767	-	4,920	-	5,687
Geology	6,179	4,206	26,128	-	36,513
Legal	2,516	8,236	120,573	-	131,325
Meals & Travel	10,341	3,082	188,219	856	202,498
Office and General	16,012	8,389	71,950	84	96,435
Reports, Data and Analysis	54,322	9,071	423,408	3,180	489,981
Rock Samples	10,757	1,908	23,035	-	35,700
Tenement Administration	52,223	5,021	371,171	-	428,415
Foreign Exchange	154,053	10,040	100,714	(323)	264,484
	318,939	51,043	2,001,850	3,947	2,375,779
Balance, July 31, 2014	4,229,263	392,241	4,401,187	20,626	9,043,317
	Beatons Creek \$	Grant's Hill \$	Paleo-Placer \$	Sunday Silence \$	Total \$
Balance, January 31, 2013	3,385,948	66,131	1,026,468	-	4,478,547
Acquisition Costs	-	38,880	728	11	39,619
Exploration Expenditures:					
Drilling	221,540	54,866	264,242	-	540,648
Feasibility Study	77,010	-	-	-	77,010
Field Work	83,986	27,171	174,682	5,652	291,491
Fuel	3,551	1,454	9,580	-	14,585
Geology	24,308	5,999	69,285	-	99,592
Legal	9,487	-	117,861	-	127,348
Meals & Travel	60,265	29,975	157,108	438	247,786
Office and General	63,443	23,347	71,870	-	158,660
Reports, Data and Analysis	55,559	36,730	323,868	8,374	424,531
Rock Samples	120,467	51,930	146,459	2,205	321,061
Tenement Administration	22,545	5,049	106,143	-	133,737
Foreign Exchange	(217,785)	(334)	(68,957)	(1)	(287,077)
	524,376	236,187	1,372,141	16,668	2,149,372
Balance, January 31, 2014	3,910,324	341,198	2,399,337	16,679	6,667,538

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014****6. 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 period ended July 31, 2014 and the years ended January 31, 2013 and 2014:

- (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 0.37 years. As of July 31, 2014, 64,876 of the broker's warrants remain outstanding.

Warrants

The continuity of warrants is as follows:

	July 31, 2014		January 31, 2014	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of the period	6,104,924	\$ 0.89	20,866,924	\$ 0.68
Granted	-	\$ -	-	\$ -
Expired	-	\$ -	(1,002,500)	\$ 0.60
Exercised	(1,744,748)	\$ 0.86	(13,759,500)	\$ 0.60
Balance, end of the period	4,360,176	\$ 0.90	6,104,924	\$ 0.89

Full share equivalent warrants outstanding and exercisable at of July 31, 2014:

Expiry Date	Price Per Share	Warrants Outstanding
December 12, 2014	\$ 0.90	4,295,300
December 12, 2014	\$ 0.65	64,876
		4,360,176

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014****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 CSE.

The continuity of stock options is as follows:

	July 31, 2014		January 31, 2014	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Options outstanding, beginning of the period	1,697,500	\$ 0.38	1,797,500	\$ 0.38
Granted	-	\$ -	-	\$ -
Exercised	(112,500)	\$ 0.23	(100,000)	\$ 0.26
Expired	-	\$ -	-	\$ -
Options outstanding, end of the period	1,585,000	\$ 0.39	1,697,500	\$ 0.38

The options outstanding and exercisable at July 31, 2014 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	5.87	250,000	\$ 0.20	
100,000	\$ 0.20	6.04	100,000	\$ 0.20	
1,235,000	\$ 0.45	2.56	1,235,000	\$ 0.45	
1,585,000	\$ 0.39	3.30	1,585,000	\$ 0.39	

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, 327,500 options vested on Feb 19, 2013, and 327,500 vested on August 20, 2013.

The weighted average fair value of options, estimated using the Black-Scholes option pricing model, was \$0.38 per option for the options granted to directors and officers (July 31, 2013 - \$0.38) and \$0.55 per option for the options granted to consultants (July 31, 2013 - \$0.52).

For the period ended July 31, 2014, the total share-based payment was \$Nil (July 31, 2013 - \$(9,092)).

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014****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	1.47% - 1.92%	1.12% - 1.5%
Dividend yield	-	-
Expected volatility	76% - 147%	49% - 145%
Expected option life	3.51 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 period.

(a) Key Management Personnel Disclosures

During the period ended July 31, 2014 and 2013, the following amounts were incurred with respect to the Chief Executive Officer, the Chief Financial Officer and directors of the Company:

	July 31, 2014	July 31, 2013
	\$	\$
Consulting services	84,000	84,000
Wages and salaries	53,545	14,115
Wages and salaries included in exploration and evaluation assets	34,717	68,816
Share-based payments	-	22,959
	<u>172,262</u>	<u>189,890</u>

(b) Other Related Party Disclosures

During the period ended July 31, 2014 and 2013, the following amounts were incurred with respect to a corporation controlled by the Chief Financial Officer:

	July 31, 2014	July 31, 2013
	\$	\$
Consulting services	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

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Notes to the Condensed Interim Consolidated Financial Statements**July 31, 2014**

8. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended July 31, 2014 and 2013 non-cash activities were conducted by the Company as follows:

	July 31, 2014	July 31, 2013
	\$	\$
Operating activities		
Interest paid	-	-
Income tax paid	-	-
Decrease in accounts payable and accrued liabilities	<u>541,860</u>	<u>191,424</u>
Investing activities		
Additions in exploration and evaluation assets	<u>(541,860)</u>	<u>(191,424)</u>

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

The Company's financial instruments include cash and cash equivalents, interest receivable, 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 cash and cash equivalents, interest receivable and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature.

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.

The Company did not have any financial instruments in level 2. There were no transfers between Levels during the period.

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9. FINANCIAL INSTRUMENTS (continued)**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.

c) Foreign Exchange Rate Risk

The Company has operations in Canada, Australia, and the United States 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 July 31, 2014 and January 31, 2014 the Company's Australian and US dollar denominated monetary assets and monetary liabilities are as follows:

Australian Monetary assets	July 31, 2014	January 31, 2014
Cash and cash equivalents	\$134,363	\$176,237
Accounts payable and accrued liabilities	\$806,432	\$73,612
US Monetary assets	July 31, 2014	January 31, 2014
Cash and cash equivalents	\$14,362	\$17,742
Accounts payable and accrued liabilities	\$15,882	\$2,287

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 July 31, 2014, 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.

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9. FINANCIAL INSTRUMENTS (continued)

(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.

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 period.

11. SEGMENTED INFORMATION

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

	July 31, 2014	January 31, 2014
	\$	\$
Exploration and evaluation assets		
- United States of America	20,626	16,679
- Australia	9,022,691	6,650,859
	<u>9,043,317</u>	<u>6,667,538</u>

12. EVENTS AFTER THE REPORTING PERIOD

- a) On September 17, 2014, the Company terminated the Sunday Silence Property Letter Agreement and returned the mineral claims to Mr. Smith. The Company subsequently wrote off the exploration and evaluation assets relating to the Sunday Silence Property.

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12. EVENTS AFTER THE REPORTING PERIOD (continued)

- b) On July 17, 2014, the Company gave notice of the acceleration of the expiry of share purchase warrants issued as part of a brokered private placement that closed on December 12, 2012 (the "Warrants"). The Warrants are exercisable at a price of \$0.90 per share. Notice of the acceleration of the expiry of the Warrants was mailed to registered holders of the Warrants.

The terms of the Warrants included an acceleration clause such that if the volume weighted average trading price of the Company's common shares on the CSE was \$1.20 or higher for at least 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants upon 30 days' notice to the holders (the "Acceleration Clause").

The Company's common shares traded in excess of \$1.20 for a considerable period of time up to July 17, 2014, so the acceleration clause was triggered. The new expiry date of the Warrants was August 21, 2014.

98.4% of the 5,795,400 Warrants were exercised, raising gross proceeds of \$5,134,860. The remaining Warrants expired on August 21, 2014.

In addition, the Company reported the exercise of 81% of the 334,524 common share purchase warrants issued to certain agents in the private placement that closed on December 12, 2012 (the "Agents' Warrants"), raising further gross proceeds of \$176,246. The Agents' Warrants are not subject to the same expiry acceleration clause as the Warrants and, as such, will expire on December 12, 2014.