

**NOVO RESOURCES CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended January 31, 2017 and 2016**

(Expressed in Canadian Dollars)



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## Independent Auditor's Report

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### To the Shareholders of Novo Resources Corp.

We have audited the accompanying consolidated financial statements of Novo Resources Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at January 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Novo Resources Corp. and its subsidiaries as at January 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants  
Vancouver, British Columbia  
May 29, 2017

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

	Note	January 31, 2017 \$	January 31, 2016 \$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	3	1,810,131	1,375,545
Restricted cash	3	134,434	-
Receivables	4	495,879	382,104
Prepaid expenses and deposits		319,422	173,823
<b>Total current assets</b>		<b>2,759,866</b>	<b>1,931,472</b>
Non-current assets			
Marketable securities	5	-	76,706
Investment in associate	6	-	5,473
Equipment	9	486,626	419,797
Exploration and evaluation assets	8	35,221,840	25,468,739
<b>Total non-current assets</b>		<b>35,708,466</b>	<b>25,970,715</b>
<b>Total assets</b>		<b>38,468,332</b>	<b>27,902,187</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		509,819	747,848
<b>Total current liabilities</b>		<b>509,819</b>	<b>747,848</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	50,364,696	37,486,955
Reserves	10	3,138,134	634,803
Accumulated other comprehensive income (loss)		(348,410)	84,873
Accumulated deficit		(15,195,907)	(11,052,292)
<b>Total shareholders' equity</b>		<b>37,958,513</b>	<b>27,154,339</b>
<b>Total shareholders' equity and liabilities</b>		<b>38,468,332</b>	<b>27,902,187</b>

These consolidated financial statements are authorized for issue by the Board of Directors on May 29, 2017.  
They are signed on the Company's behalf by:

"Akiko Levinson"  
Akiko Levinson

"Herrick Lau"  
Herrick Lau

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

	Note	Year Ended January 31,	
		2017 \$	2016 \$
<b>Expenses</b>			
Accounting and audit		365,390	208,974
Consulting services	11	374,952	368,343
Insurance		78,146	35,731
Interest expense	13	-	106,199
Legal fees		109,607	142,664
Meal and travel expenses		50,764	52,541
Office and general		275,844	277,885
Share-based compensation	10	2,463,368	-
Transfer agent and filing fees		143,257	101,956
Wages and salaries	11	442,659	316,825
<b>Loss before other items</b>		<b>(4,303,987)</b>	<b>(1,611,118)</b>
<b>Other items</b>			
Interest and other income		390,315	56,534
Accreted interest expense	17	(327,475)	-
Impairment of marketable securities	5	-	(6,459)
Foreign exchange (gain) loss		(29,674)	181,921
Share of loss in associate	6	(5,473)	(100,397)
Gain on sale of mineral property	8	-	46,114
Gain on settlement of reimbursable expenditure on mineral properties	8	-	1,120,618
Cumulative gain on marketable securities recycled through net loss	5	130,413	-
Gain on sale of marketable securities		2,267	-
Loss on issuance of shares for mineral property	8	-	(46,754)
Loss on transfer of mineral property title	8	-	(98,109)
		160,373	1,153,468
<b>Net loss for the year</b>		<b>(4,143,614)</b>	<b>(457,650)</b>
Loss attributable to:			
Shareholders of the Company		(4,143,614)	(416,796)
Non-controlling interest	7	-	(40,854)
		(4,143,614)	(457,650)
<b>Other comprehensive income</b>			
Change in fair value of marketable securities	5	43,361	28,394
Cumulative gain on marketable securities recycled through net loss		(130,413)	-
Foreign exchange on translation of subsidiaries		(346,231)	389,222
		(433,283)	417,616
<b>Comprehensive loss for the year</b>		<b>(4,576,897)</b>	<b>(40,034)</b>
Comprehensive loss attributable to:			
Shareholders of the Company		(4,576,897)	820
Non-controlling interest	7	-	(40,854)
		(4,576,897)	(40,034)
<b>Weighted average number of common shares outstanding</b>		<b>85,554,554</b>	<b>69,760,117</b>
<b>Basic and diluted loss per common share</b>		<b>(0.05)</b>	<b>(0.01)</b>

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

	Note	Number of Shares	Amount	Option Reserve	Warrant Reserve	Gold Right Convertible Debenture	Accumulated Other Comprehensive Income	Accumulated Deficit	Shareholders' Equity	Non-Controlling Interest	Total Equity
			\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance – January 31, 2015</b>		<b>61,776,798</b>	<b>28,598,381</b>	<b>613,392</b>	<b>19,934</b>	-	<b>(332,743)</b>	<b>(6,188,113)</b>	<b>22,710,851</b>	<b>(170,250)</b>	<b>22,540,601</b>
Issuance of shares for debt settlement	10	70,422	50,000	-	-	-	-	-	50,000	-	50,000
Non-brokered private placement	10	3,824,237	1,988,603	-	-	-	-	-	1,988,603	-	1,988,603
Share issuance costs	10	-	(70,187)	-	1,477	-	-	-	(68,710)	-	(68,710)
Issuance of shares for Creasy settlement	8	10,991,577	6,594,945	-	-	-	-	(4,447,384)	2,147,561	211,104	2,358,665
Issuance of shares for mineral property	8	485,394	325,214	-	-	-	-	-	325,214	-	325,214
Other comprehensive loss for the period		-	-	-	-	-	417,616	-	417,616	-	417,616
Loss for the period		-	-	-	-	-	-	(416,796)	(416,796)	(40,854)	(457,650)
<b>Balance – January 31, 2016</b>		<b>77,148,428</b>	<b>37,486,955</b>	<b>613,392</b>	<b>21,411</b>	-	<b>84,873</b>	<b>(11,052,293)</b>	<b>27,154,339</b>	-	<b>27,154,339</b>
<b>Balance – January 31, 2016</b>		<b>77,148,428</b>	<b>37,486,955</b>	<b>613,392</b>	<b>21,411</b>	-	<b>84,873</b>	<b>(11,052,293)</b>	<b>27,154,339</b>	-	<b>27,154,339</b>
Non-brokered private placement	10	3,927,884	2,356,730	-	-	-	-	-	2,356,730	-	2,356,730
Share issuance costs	10	-	(55,404)	-	-	-	-	-	(55,404)	-	(55,404)
Issuance of gold right convertible debenture	17	-	-	-	-	315,961	-	-	315,961	-	315,961
Non-brokered private placement	10	6,563,694	5,579,140	-	-	-	-	-	5,579,140	-	5,579,140
Share issuance costs	10	-	(176,298)	-	46,938	-	-	-	(129,360)	-	(129,360)
Warrant exercises	10	836,567	671,563	-	(1,477)	-	-	-	670,086	-	670,086
Stock option exercise	10	10,000	9,998	(5,498)	-	-	-	-	4,500	-	4,500
Issuance of stock options	10	-	-	2,463,368	-	-	-	-	2,463,368	-	2,463,368
Issuance of shares for mineral property	8	1,451,754	2,104,750	-	-	-	-	-	2,104,750	-	2,104,750
Exercise of gold right convertible debentures	17	3,091,493	2,387,262	-	-	(315,961)	-	-	2,071,300	-	2,071,300
Other comprehensive loss for the period		-	-	-	-	-	(433,283)	-	(433,283)	-	(433,283)
Loss for the period		-	-	-	-	-	-	(4,143,614)	(4,143,614)	-	(4,143,614)
<b>Balance – January 31, 2017</b>		<b>93,029,820</b>	<b>50,364,696</b>	<b>3,071,262</b>	<b>66,872</b>	-	<b>(348,410)</b>	<b>(15,195,907)</b>	<b>37,958,513</b>	-	<b>37,958,513</b>

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

	Year Ended January 31,	
	2017	2016
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(4,143,614)	(457,650)
Adjustments for:		
Interest receivable	(14,179)	(56,534)
Accreted interest expense	327,745	106,199
Depreciation	21,707	2,600
Foreign exchange	(173,596)	347,074
Impairment of marketable securities	-	6,459
Share of loss in associate	5,473	100,397
Share-based compensation	2,463,368	-
Realized gain on sale of marketable securities	(2,267)	-
Cumulative gain on marketable securities recycled through net loss	130,413	-
Loss on transfer of mineral property title	-	98,109
Gain on sale of mineral property	-	(46,114)
Gain on settlement of reimbursable expenditure on mineral properties	-	(1,120,618)
Loss on issuance of shares for mineral property	-	46,754
	<u>(1,645,774)</u>	<u>(973,324)</u>
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	630,713	111,821
Prepaid expenses and deposits	(145,599)	(108,573)
Receivables	(113,775)	(123,584)
	<u>371,339</u>	<u>(70,336)</u>
<b>Net cash used in operating activities</b>	<b><u>(1,274,435)</u></b>	<b><u>(1,093,660)</u></b>
<b>Investing activities</b>		
Interest received	14,179	56,534
Purchase of equipment	(91,972)	(416,972)
Proceeds from sale of marketable securities	122,333	-
Term deposit	(134,434)	-
Expenditures on exploration and evaluation assets	(8,694,078)	(9,234,472)
<b>Net cash used in investing activities</b>	<b><u>(8,783,972)</u></b>	<b><u>(9,594,910)</u></b>
<b>Financing activities</b>		
Issuance of share capital	8,610,456	1,988,603
Issuance of gold-right convertible debenture	2,071,300	-
Gold-right convertible debenture issuance costs	(11,514)	-
Share issuance costs	(184,764)	(18,710)
Interest paid	-	(106,199)
<b>Net cash from financing activities</b>	<b><u>10,485,478</u></b>	<b><u>1,863,694</u></b>
<b>Net change in cash and cash equivalents</b>	<b>427,071</b>	<b>(8,824,876)</b>
<b>Effect of exchange rate changes on cash</b>	<b>7,515</b>	<b>41,827</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>1,375,545</b>	<b>10,158,594</b>
<b>Cash and cash equivalents, end of the year</b>	<b><u>1,810,131</u></b>	<b><u>1,375,545</u></b>
<b>Cash and cash equivalents comprise:</b>		
Cash	869,696	612,045
Cash equivalents	940,435	763,500
	<u>1,810,131</u>	<u>1,375,545</u>

**Supplemental cash flow information (Note 12)**

## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

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

**For the years ended January 31, 2017 and 2016**

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#### **1. NATURE OF OPERATIONS**

Novo Resources Corp. (the “Company” or “Novo”) was incorporated on October 28, 2009 pursuant to the provisions of the *Business Corporations Act* (British Columbia) as Galliard Resources Corp. 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 May 27, 2015, the Company listed on the TSX Venture Exchange (the “TSX-V”). The Company de-listed from the CSE on May 29, 2015. The Company’s common shares still trade under the ticker symbol “NVO”.

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

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

These consolidated financial statements have been prepared on a historical cost basis, except for 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 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 within this note.

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

These financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

##### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries listed below. Under the guidance of IFRS 10 *Consolidated Financial Statements*, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquiror’s returns. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

**NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

**Notes to the Consolidated Financial Statements****For the years ended January 31, 2017 and 2016**

As at January 31, 2017, the subsidiaries of the Company are as follows:

<b>Company Name</b>	<b>Country of Incorporation</b>	<b>% of Interest</b>
Novo Resources (USA) Corp.	Nevada, USA	100%
Conglomerate Gold Exploration (B.V.I.) Ltd.	Tortola, British Virgin Islands	100%
Conglomerate Gold Exploration Pty. Ltd. ("CGE")	Western Australia, Australia	100%**
Nullagine Gold Pty. Ltd.	Western Australia, Australia	100%
Beatons Creek Gold Pty. Ltd.	Western Australia, Australia	100%
Grant's Hill Gold Pty. Ltd.	Western Australia, Australia	100%

\*\*See Note 7 *Change in Non-controlling Interests*.

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 consolidated financial statements are presented in Canadian dollars.

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

**Foreign currency transactions**

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

**Exploration and evaluation assets**

The Company is in the exploration and evaluation stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of, mineral properties and crediting all proceeds received against the cost of the related properties. 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 basis.



## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

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

**For the years ended January 31, 2017 and 2016**

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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 farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in 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.

#### **Impairment of non-financial assets**

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

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

#### **Decommissioning and rehabilitation liabilities**

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

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of 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 January 31, 2017 or 2016.

#### **Share-based compensation**

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.

## **NOVO RESOURCES CORP.**

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

**For the years ended January 31, 2017 and 2016**

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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.

#### **Loss per share**

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

As at January 31, 2017, the Company has 13,544,141 warrants (January 31, 2016 – 3,834,137) and 5,025,000 options outstanding (January 31, 2016 – 1,260,000).

#### **Property, equipment and amortization**

##### *Recognition and measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

##### *Gains and losses*

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

##### *Amortization*

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

Furniture and equipment

5 years straight-line

## **NOVO RESOURCES CORP.**

(Expressed in Canadian Dollars, unless stated otherwise)

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

**For the years ended January 31, 2017 and 2016**

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#### **Investment in associates**

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

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

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

#### **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 income or 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 income or 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 income or loss is reclassified from accumulated other comprehensive income or loss to profit or loss.

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

## **NOVO RESOURCES CORP.**

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#### **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, accrued liabilities, and the debt host liability relating to the gold right convertible debenture. 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.

#### **Derivative financial instruments**

Derivatives are initially measured at fair value. Any directly attributable transactions costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes are recognized in profit or loss.

#### **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. For equity offerings of units consisting of a common share and warrants, when both instruments are classified as equity, the Company does not bifurcate the proceeds between the common share and the other equity instrument

#### **Revenue**

Revenue represents amounts receivable in respect of sales of gold and by-products and is recognized only when commercial production is reached.

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer. Revenues are recognised in full using prices ruling at the date of sale with adjustments in respect of final sales prices being recognised in the month that such adjustment is agreed. Fair value adjustments for gold prices in respect of any sale for which final pricing has not been agreed at any balance sheet date is accounted for using the best estimates of forecast prices for the expected date of settlement. Any unsold production and in particular concentrate, is held as inventory and valued at the lower of production cost and net realisable value until sold.

All sales revenue from incidental production arising during the exploration, evaluation, development and commissioning of a mineral resource prior to commercial production, is recognized as other income in the statement of comprehensive loss.

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#### **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) 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 or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

#### *Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to the statement of net loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, expected life of the option, risk free interest rates, and forfeiture rates. Changes in these input assumptions can significantly affect the fair value estimate.

#### *Convertible debentures and derivative liabilities*

The convertible debentures and derivative liabilities are measured at their respective fair values at the issue date. The derivative liability is subsequently re-measured and the change in fair value is expensed in the reporting period. In determining the fair value for both convertible debentures and derivative liabilities, the Company estimates interest rates for similarly obtained debt and estimates the probability of a milestone event happening and applies that to the fair value. Changes to these estimates could result in the fair value of the convertible debentures and derivative liabilities being less than or greater than the amount recorded. As at January 31, 2017, the entire gold right convertible debenture was converted into common shares of the Company.

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

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#### **New standards, interpretations and amendments**

The following are accounting standards anticipated to be effective January 1, 2017 or later:

##### *IAS 7 Statement of Cash Flows*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are effective for annual periods beginning on or after January 1, 2017.

##### *IAS 12 Income Taxes*

IAS 12 has amendments to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. Application of the standard is mandatory for annual periods beginning on or after January 1, 2017. Currently, no impact on the Company's consolidated financial statements is expected.

##### *IFRS 2 Share-based Payments*

The IASB issued amendments to IFRS 2 in relation to classification and measurement of share-based payment transactions. The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Due to the terms of the Company's share-based payments this standard is not expected to impact the consolidated financial statements.

##### *IFRS 9 Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. It also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. Based on current operations, the Company does not expect this standard to have significant financial reporting implications.

##### *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018. Currently, no impact on the Company's consolidated financial statements is expected.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. Currently, no impact on the Company's consolidated financial statements is expected.

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#### IFRS 16 Leases

IFRS 16 will replace IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Application of the standard is mandatory for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect this new standard to have significant financial reporting implications, as currently, no lease agreements within the scope of IFRS 16 have been entered into.

### 3. 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. Short-term investments are fixed term deposits held at the bank with a maturity of more than three months but less than one year and are cashable at any time. As at January 31, 2017, the Company has two short-term investments totalling \$940,434 of principal. All short-term investments are denominated in Canadian funds, have annual yields of 0.9%, and are due on February 23 and March 10, 2017, respectively. The Company also holds AUD \$136,801 (\$134,434) as a bank guarantee for machine-hire vendor in Australia. The amount will be returned to the Company's chequing account once the Company completes its bulk sampling exercise and no longer requires the machinery provided by the vendor.

### 4. RECEIVABLES

	January 31, 2017		January 31, 2016	
Canadian GST receivable	\$	53,364	\$	40,020
Australian GST receivable		442,515		336,736
Interest receivable		-		5,348
<b>Total receivable</b>	<b>\$</b>	<b>495,879</b>	<b>\$</b>	<b>382,104</b>

### 5. MARKETABLE SECURITIES

During the year ended January 31, 2017, the Company disposed of all of its marketable securities.

	January 31, 2016				
	Number	Cost	Accumulated Unrealized Gains	Cumulative Impairment	Fair Value
<b>Available-for-sale securities</b>					
Euromax Resources Ltd. Common Shares	153,333	\$ 101,200	\$ 38,333	\$ (78,200)	\$ 61,333
Evolving Gold Corp. Common Shares	142,857	560,000	2,144	(555,715)	6,429
Northern Empire Resources Corp. Common Shares	99,376	1,000,000	5,465	(996,521)	8,944
		<b>\$ 1,661,200</b>	<b>\$ 45,942</b>	<b>\$ (1,630,436)</b>	<b>\$ 76,706</b>

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

During the year ended January 31, 2017, the Company sold all 153,333 common shares of Euromax for gross proceeds of \$77,018 less \$730 in commission charges. The Company has recorded a realized loss of \$5,783 during the year ended January 31, 2017.

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### Notes to the Consolidated Financial Statements

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(b) Evolving Gold Corp. Common Shares

During the year ended January 31, 2017, the Company sold all 142,857 common shares of Evolving Gold for gross proceeds of \$27,259 less \$250 in commission charges. The Company has recorded a realized gain of \$4,400 during the year ended January 31, 2017.

(c) Northern Empire Resources Corp. (formerly Prosperity Goldfields Corp.) Common Shares

During the year ended January 31, 2017, the Company sold all 99,376 common shares of Northern Empire for gross proceeds of \$18,060 less \$175 in commission charges. The Company has recorded a realized gain of \$3,650 during the year ended January 31, 2017.

During the year ended January 31, 2017, the Company sold all marketable securities in its portfolio. Upon sale of the marketable securities, cumulative gains on the marketable securities of \$130,412 were recycled through the Company's net loss.

## 6. INVESTMENT IN ASSOCIATE

On November 18, 2014, the Company acquired 1,000,000 common shares of Sinter Print Inc. ("Sinter") at a cost of USD \$100,000 (\$113,848). The Company holds 20.16% of Sinter's outstanding common shares. Sinter meets the definition of an associate and has been accounted for in these consolidated financial statements as an equity investment. Sinter is a private company incorporated in Colorado, USA.

The following table shows the continuity of the Company's interest in Sinter for the period from November 18, 2014, to January 31, 2017:

Investment in Sinter	\$	113,848
Less: share of losses in associate		(7,978)
<b>Balance, January 31, 2015</b>		<b>105,870</b>
Less: share of losses in associate		(100,397)
<b>Balance, January 31, 2016</b>		<b>5,473</b>
Less: share of losses in associate		(5,473)
<b>Balance, January 31, 2017</b>	\$	<b>-</b>

As at January 31, 2017, the Company's share of losses in Sinter exceeds its interest in Sinter. As per IAS 28 *Investments in Associates*, after the Company's interest is reduced to zero, additional losses are recognized by a provision (liability) only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of Sinter. If Sinter subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Since the Company has not incurred legal or constructive obligations or made payments on behalf of Sinter, the Company's interest in Sinter has been reduced to zero on the Company's consolidated statement of financial position. No further amounts shall be recognized until the Company's share of Sinter's future profits, if any, equal the share of losses not recognized.

## 7. CHANGE IN NON-CONTROLLING INTERESTS

On June 29, 2015, pursuant to the Definitive Agreement (as defined below in Note 8), the Company reached the first of two contemplated completion milestones with the Creasy Group (as defined below in Note 8). Settlement was finalized and announced on July 28, 2015. Under this initial completion milestone, Novo acquired the 330 Creasy CGE Shares (defined below in section 8) in exchange for 7,060,466 Novo common shares. With this issuance of 7,060,466 Novo common shares, the Company acquired the remaining 36.67% of CGE. As such, CGE became a wholly-owned subsidiary of Novo.



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The following table shows the continuity of the Company's interest in CGE for the period from July 16, 2012 to June 29, 2015:

July 16, 2012	\$	-
Less: loss attributable to CGE		(64,492)
<b>Balance, January 31, 2013</b>		<b>(64,492)</b>
Less: loss attributable to CGE		(40,425)
<b>Balance, January 31, 2014</b>		<b>(104,917)</b>
Less: loss attributable to CGE		(65,333)
<b>Balance, January 31, 2015</b>		<b>(170,250)</b>
Less: loss attributable to CGE		(40,854)
Elimination of non-controlling interest		211,104
<b>Balance, June 29, 2015</b>		<b>-</b>

The financial statement balances of CGE were as follows as at January 31, 2015, and June 29, 2015, being the date the Company acquired a 100% interest in CGE:

	<b>June 29, 2015</b>	<b>January 31, 2015</b>
	\$	\$
Total current assets	1,356,497	770,182
Total assets	21,097,393	12,217,703
Total current liabilities	458,041	274,689
Total liabilities	23,212,319**	13,492,747**
Net loss	(111,410)	(790,698)

\*\*These amounts include inter-company balances of \$22,754,278 (January 31, 2015 - \$13,218,058) that are removed upon consolidation.

**8. EXPLORATION AND EVALUATION ASSETS****Millennium Property**

On March 26, 2015, the Company signed a sale and purchase agreement (the "Purchase Agreement") with Millennium Minerals Ltd. ("Millennium") to secure the Company's right to a 70% interest in the Beatons Creek Tenements covering the Beatons Creek gold-bearing conglomerates and to purchase the remaining 30% interest from Millennium for a purchase price of AUD \$3.8 million (\$3,782,900). Pursuant to the Purchase Agreement, Millennium agreed to waive the need for a bankable feasibility study by August 2016 and, as a result, the Company satisfied the conditions of the Farm-in Agreement and was entitled to a 70% interest in the Beatons Creek Tenements as to gold rights upon completion of the transactions under the Purchase Agreement. The Purchase Agreement also provided that Millennium would sell to the Company the remaining 30% in the Beatons Creek Tenements as to gold rights, together with all other rights in the Beatons Creek Tenements held by Millennium.

Transfer of the Beatons Creek Tenements was subject to receipt of approval of the Minister of the Crown of the State of Western Australia. This approval was received on March 31, 2015 and as a result, the Farm-in Agreement between the Company and Millennium has come to an end and the Company now holds a 100% interest in the Beatons Creek Tenements through an indirect subsidiary.

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Complex royalty arrangements have been entered into with certain native title claim groups in relation to the three Beatons Creek Tenements. These claim groups have overlapping claims over the leases. The arrangements are complex and are being renegotiated with both claim groups. Currently the royalty is a 1% net smelter returns royalty on gold produced from the three mining leases, split between the groups depending on where the gold subject of the royalty was produced from. Various other annual payments (eg. community, training and educational fund payments) will be made to the two claim groups pursuant to heritage agreements entered into with the claim groups.

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

#### **Talga Project**

On August 12, 2015, the Company, through its Australian subsidiary, Beatons Creek Gold Pty Ltd, entered into an option agreement with Talga Resources Ltd. ("Talga Resources"), an Australian Stock Exchange listed company, for the right to explore its Talga Talga, Warrawoona, and Mosquito Creek projects (each a "Talga Project" and, collectively, the "Talga Projects"). A payment of AUD \$50,000 (\$49,775) was made to Talga Resources for an initial option period of 4 months. The option period could be extended to the second anniversary of this agreement by making a second payment of AUD \$200,000 four months after the date of signing of the option agreement. The Company had the right to then purchase at any time until the second anniversary any of the Talga Projects for AUD \$250,000 per Talga Project.

On December 9, 2015, the Company signed a variation letter (the "Letter of Variation") with Talga whereby the first option period was extended to the earlier of February 29, 2016, or the day the Company began work of any kind on the Talga Projects. The Company paid Talga AUD \$50,000 (\$49,775) for this extension, and this amount was applied as a credit towards any future option payment made on the Talga Projects. Furthermore, by paying another AUD \$150,000, the Company can extend the option period to the second anniversary of this agreement. As at January 31, 2016, the Company had paid AUD \$250,000 (\$248,875) to Talga Resources comprised of the original AUD \$50,000 (\$49,775) payment, as well as the AUD \$50,000 (\$49,775) and AUD \$150,000 (\$149,325) payments delineated in the variation letter. As such, the Company has until August 11, 2017 to exercise its option and purchase any of the Talga Projects. On September 16, 2016, the Company issued 765,115 common shares of the Company at a deemed value of \$0.9673 (AUD \$0.9802) per share for total consideration of AUD \$750,000 (\$740,096) in order to exercise its option and purchase the Talga Projects. The fair value of the common shares issued was \$1,369,555 based on the closing price of the Company's common shares on the TSX-V on September 16, 2016 of \$1.79.

A 1.5% net smelter returns royalty is payable on any minerals extracted from the Talga Projects in a commercial mining operation. A 2.5% royalty is payable to the State of Western Australia on any gold produced by the Company on the Talga Projects.

#### **Blue Spec Project**

On August 17, 2015, the Company, through its Australian subsidiary, Beatons Creek Gold Pty Ltd, entered into an agreement (the "Agreement") to purchase the Blue Spec Au-Sb Project ("Blue Spec Project") from Northwest Resources Limited ("Northwest"), an Australian Stock Exchange listed company.

Completion of the sale was conditional on Northwest shareholder approval, Australian Foreign Investment Review Board approval, TSX Venture Exchange approval and obtaining other third party consents and Ministerial approval as may be required, all of which were received on or before October 5, 2015. The purchase price for the project included cash payments totaling AUD \$350,000 (\$348,425) and the issuance of 485,394 common shares of Novo (the "Consideration Shares"). The Consideration Shares will be subject to a statutory hold period expiring four months from the date of issuance. As at January 31, 2016, the Company has made cash payments totaling AUD \$350,000 (\$348,425) and issued the Consideration Shares to Northwest. A loss of \$46,754 was recorded upon the issuance of the Consideration Shares, and it accounted for the difference between the fair value of the Consideration Shares on the date of issuance and the implicit value derived from the Agreement. Consideration for the Blue Spec Project totaled \$673,639.

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

A net smelter return royalty over all production from M46/115 and M46/165 is payable to St. Barbara Limited under a royalty agreement Northwest was bound by when it owned the tenements comprising the Blue Spec Project. The Company assumed the liability under the Agreement. The royalty is equal to 3.75% of the gross proceeds of sale of 75% of all gold, silver and other minerals produced from the tenements.

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

#### **Paleo-Placer Property**

The Company, CGE, and Nullagine Gold Pty Ltd (“Nullagine Gold”), entered into four farm-in and joint venture agreements (the “JVA’s”) 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.

On June 29, 2015, the Company reached the first of two contemplated completion milestones with the Creasy Group under the Definitive Agreement. Settlement was completed and announced on July 28, 2015. Under this initial completion milestone, Novo acquired the 330 Creasy CGE Shares in exchange for 7,060,466 Novo common shares. Novo also issued the N and MB Expense Reimbursement Shares. A non-cash gain on settlement of the debt of \$1,120,618 was recorded based on the difference between expenditures incurred by both parties and the market value of the Company’s common shares on the date of issuance. In total, 10,991,577 common shares have been issued by Novo to Creasy Group pursuant to the Definitive Agreement; the 7,060,466 Novo common shares issued to acquire the 330 Creasy CGE Shares were issued at a deemed value of \$0.87 per share, and the 3,931,111 N and MB Expense Reimbursement Shares were issued. The fair value of the 10,991,577 shares was \$6,594,945. In addition, the Company transferred a 30% interest in tenement E45/4169 to the Creasy Group. A gain on sale of mineral property of \$46,114 was recorded in the Other Items section of the statement of comprehensive loss based on the difference between the consideration received for the 30% interest in tenement E45/4169 and the carrying value of the tenement on the Company’s books at the time of transfer.

The Creasy Group still holds the conditional right to receive the issuance of the remaining 100 Creasy CGE Shares in exchange for 2,139,534 Novo common shares upon Novo and the Creasy Group entering into a binding agreement regarding other tenements in the Nullagine region. The 100 Creasy CGE Shares hold no voting rights and no dividend rights and, as such, no value has been ascribed to the 2,139,534 Novo common shares which will potentially be issued.

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 will be transferred to Nullagine Gold and converted to a 1% net smelter royalty.

A discovery bonus of AUD \$1 million is also payable to the Creasy Group if Novo conducts commercial mining operations on a gold discovery made by the Creasy Group while exercising its prospecting rights on the JVA properties. The Creasy Group would also make a similar payment to the Company if the Creasy Group mines a non-gold discovery made by the Company.

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

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#### **Tuscarora Property**

On November 7, 2014, Novo USA signed an Exploration Lease and Option to Purchase Agreement (the "Tuscarora Agreement") with Nevada Eagle LLC ("Nevada West") and Platoro West Incorporated ("Platoro") to acquire an undivided 100% interest in and to the Tuscarora Property (the "Tuscarora Property"), subject to a net smelter return on gold ranging from 2-4% based on the average daily price per troy ounce of gold from the New York Commodity Exchange during the period of production, and 2.5% on all other minerals. The Tuscarora Property, located in Elko County, Nevada, USA, is comprised of 23 unpatented lode claims.

On October 4, 2016, the Company paid the final option payment and acquired a 100% interest in and to the Tuscarora Property.

#### **Two Creeks Property**

On April 14, 2016, the Company entered into a licence and farm-in option agreement with Mesa Minerals Limited ("Mesa"), an Australian Stock Exchange listed company, for the right to explore its Two Creeks project (the "Two Creeks Project"). The Two Creeks Project covers an area of approximately 251 sq km in an area approximately 13 km east of the Company's Blue Spec project.

A payment of AUD \$10,000 (\$9,955) was made to Mesa Minerals for an initial exploration licence period set to expire on July 5, 2016. Novo can exercise its right to enter into a farm-in and joint venture agreement (pursuant to which Novo would have the right to earn a 70% by incurring AUD \$500,000 in exploration expenditures) with Mesa Minerals on or before July 5, 2016 by issuing AUD \$500,000 worth of Novo's common shares (the "Consideration Shares") based on Novo's then 5-day trailing volume-weighted average price ("VWAP"). If issued, the Consideration Shares will be subject to a statutory hold period expiring four months from the date of issuance, as well as an additional two-month hold period agreed upon by the Company and Mesa Minerals. On August 11, 2016, the Company exercised its right to enter into a farm-in and joint venture agreement by issuing 491,274 common shares to Mesa at a deemed price of \$0.9037 per share (AUD \$0.9171) for total consideration of AUD \$500,000. The fair value of the common shares issued was \$442,147 based on the closing price of the Company's common shares on the TSX-V on August 11, 2016 of \$0.90.

If a joint venture is formed with Mesa, Mesa will have the right to dilute its joint venture interest by not contributing to the joint venture. Mesa will earn a 0.75% net smelter returns royalty per 10% of joint venture interest diluted.

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

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

On April 14, 2016, the Company entered into an option agreement with Red Dog Prospecting Pty Ltd ("Red Dog Prospecting"), a private Australian company, for the right to explore its Mt. Hayes project (the "Mt. Hayes Project"). The Mt. Hayes Project covers an area of approximately 76 sq km immediately east and adjoining the Two Creeks Project and hosts approximately 11 km of strike along the Blue Spec shear zone.

A payment of AUD \$25,000 (\$24,888) was made to Red Dog Prospecting for an initial six-month option period. The Company was able to extend the period of exercise of the option for another two years by paying Red Dog Prospecting AUD \$340,000, to be split per Novo's discretion between cash and the issuance of Novo common shares (the "First Option Shares") based on Novo's then 5-day trailing VWAP. The Company can exercise its option (Novo has the right to acquire a 90% interest in the Mt. Hayes Project) by paying Red Dog Prospecting AUD \$1,540,000, also to be split per Novo's discretion between cash and the issuance of Novo common shares (the "Second Option Shares") based on Novo's 5-day trailing VWAP. The First Option Shares and the Second Option Shares, if issued, will be subject to a statutory hold period expiring four months from the date of issuance, as well as an additional two-month hold period agreed upon by the Company and Red Dog Prospecting.

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On October 7, 2016, the Company issued 195,365 common shares to Red Dog at a deemed price of \$1.4889 (AUD \$1.4844) per share for total consideration of AUD \$290,000 (\$290,870). The fair value of the common shares issued was \$293,048 based on the closing price of the Company's common shares on the TSX-V on October 7, 2016 of \$1.50. The Company also made a cash payment of AUD \$50,000 (\$50,070) in order to extend the period of exercise of the option for another two years to October 14, 2018.

If the Company exercises its option and acquires a 90% interest in the Mt. Hayes Project, a joint venture will be formed with Red Dog Prospecting. If Red Dog Prospecting's interest in the property is diluted to 5%, its interest will automatically convert to a 2% net smelter returns royalty payable on any production from the Mt. Hayes Project.

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

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The exploration and evaluation assets are comprised of the following:

	Beatons Creek \$	Grant's Hill \$	Paleo- Placer \$	Tuscarora \$	Blue Spec \$	Talga \$	Total \$
Balance, January 31, 2015	5,748,718	770,771	5,666,836	14,999	-	-	12,201,324
Acquisition Costs	4,003,679	-	134,676	28,160	727,315	266,824	5,160,654
Exploration Expenditures:							
Drilling	360,707	125,704	153,667	-	-	-	640,078
Feasibility Study	74,737	26,520	9,325	-	-	-	110,582
Field Work	194,101	41,019	1,183,941	-	30,515	1,527	1,451,103
Fuel	71,644	9,875	8,799	-	709	621	91,648
Geology	659,186	127,199	166,982	67,293	20,810	9,386	1,050,856
Legal	121,956	-	265,088	-	7,639	770	395,453
Meals and Travel	267,943	46,652	274,295	1,366	34,206	4,430	628,892
Office and General	61,490	10,953	101,537	6	1,238	-	175,224
Reports, Data and Analysis	915,047	121,715	788,480	-	74,492	32,571	1,932,305
Rock Samples	841,310	46,560	55,731	2,981	14,405	7,461	968,448
Tenement Administration	72,179	13,649	1,040,016	6,232	14,897	1,537	1,148,510
Foreign Exchange	49,508	6,638	48,803	1,607	1,410	-	107,966
Australian R&D Refund	(345,933)	(89,269)	(159,102)	-	-	-	(594,304)
	3,343,875	487,215	3,937,562	79,485	200,321	58,303	8,106,761
<b>Balance, January 31, 2016</b>	<b>13,096,272</b>	<b>1,257,986</b>	<b>9,739,074</b>	<b>122,644</b>	<b>927,636</b>	<b>325,127</b>	<b>25,468,739</b>

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	Beatons Creek \$	Grant's Hill \$	Paleo- Placer \$	Tuscarora \$	Blue Spec \$	Talga \$	Two Creeks \$	Mt. Hayes \$	Total \$
Balance, January 31, 2016	13,096,272	1,257,986	9,739,074	122,644	927,636	325,127	-	-	25,468,739
Acquisition Costs	12,384	-	-	97,725	-	1,376,638	465,542	347,580	2,299,869
Exploration Expenditures:									
Drilling	1,235,828	-	-	123,574	24,460	-	-	4,520	1,388,382
Feasibility Study	273,522	12,958	-	-	-	-	-	-	286,480
Field Work	1,044,404	800	6,402	947	78,936	-	-	1,177	1,132,666
Fuel	306,594	-	183	-	2,006	-	-	789	309,572
Geology	1,822,073	10,570	60,765	52,128	32,963	-	11,308	36,949	2,026,756
Legal	75,066	4,842	24,846	-	-	4,107	24,084	1,500	134,445
Meals and Travel	1,423,874	34,838	1,037	8,391	42,108	652	-	11,578	1,522,478
Office and General	232,290	-	4,204	-	325	-	-	178	236,997
Reports, Data and Analysis	304,794	-	-	2,300	75,743	1,170	3,485	22,682	410,174
Rock Samples	236,999	-	-	34,637	255,337	652	-	-	527,625
Tenement Administration	133,864	10,902	268,868	7,084	53,242	31,987	-	-	505,947
R&D Refund	(736,597)	(114,710)	-	-	-	-	-	-	(851,307)
Foreign Exchange	(99,984)	(9,604)	(74,352)	(9,146)	15,172	528	335	68	(176,983)
	6,252,730	(49,404)	291,953	219,915	580,292	39,096	39,212	79,441	9,753,101
<b>Balance, January 31, 2017</b>	<b>19,361,383</b>	<b>1,208,582</b>	<b>10,031,027</b>	<b>440,284</b>	<b>1,507,928</b>	<b>1,740,861</b>	<b>504,754</b>	<b>427,021</b>	<b>35,221,840</b>

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#### **9. PROPERTY, PLANT, AND EQUIPMENT**

On September 9, 2015, the Company secured an IGR 3000 gold recovery plant from Mineworx Technologies, Inc. for USD \$248,000 (\$345,743). Novo shipped the plant from the US to Australia. As a result, shipping costs of AUD \$68,879 (\$67,977) were capitalized. Novo has also done some work to retrofit the plant which resulted in costs of AUD \$93,098 (\$91,972) also being capitalized. The plant was used for 101 days during the Company's trial mining exercise, for which amortization of \$19,066 was recorded. The Company is planning on using the plant for sampling required to complete its pre-feasibility study in fiscal 2018.

The Company also has furniture in its US office which had an opening book value of \$2,641. Amortization of \$2,641 was recorded during the year ended January 31, 2017 (January 31, 2016 - \$2,600), which brought the carrying value of the furniture to \$nil.

#### **10. CAPITAL AND RESERVES**

##### **Authorized**

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

##### **Shares issued**

During the years ended January 31, 2017 and 2016, shares were issued to settle a debt, as part of the Definitive Agreement, and pursuant to non-brokered private placements.

- a) On April 22, 2015, the Company issued 70,422 common shares at \$0.71 per share to settle a \$50,000 debt payable for financial advisory services.
- b) Please see the Paleo-Placer Property portion of section 8 – Exploration and Evaluation Assets for a detailed description of the 10,991,577 common shares of the Company issued to the Creasy Group on June 29, 2015.
- c) On July 10, 2015, the Company closed the first of three tranches (the "First Tranche") of a non-brokered private placement of 2,498,077 units (each a "Unit") at a price of \$0.52 per unit for gross proceeds of \$1,299,000. Each Unit consists of one common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$0.80 per share (the "Warrant Terms") for a period of 24 months from the closing date of the First Tranche. The Warrants are subject to an accelerated expiry (the "Accelerated Expiry Clause") whereby, starting one year from the date of issue of the Warrants, if the daily high trading price of Novo's common shares exceeds \$1.20 for a period of 20 consecutive trading days, Novo may provide notice of early expiry and the Warrants will expire 30 days thereafter. As part of the non-brokered private placement, the Company incurred share issuance costs of \$70,189, which included 9,900 finder's warrants (each a "Finder's Warrant"). The Finder's Warrants were granted to a finder and, apart from being non-transferable, are subject to the same terms as the Warrants. 9,000 Finder's Warrants were issued upon closing of the First Tranche, and were valued at a fair value of \$1,365. The fair value of each Finder's Warrant was \$0.15 per share whereas the exercise price is \$0.80. The fair value was calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.49%, a dividend yield of \$nil, an expected volatility of 82.45% and an average expected life of 2 years. The average remaining contractual life of the Finder's Warrants is 0.69 years. As of January 31, 2017, all Finder's Warrants issued in the First Tranche have been exercised.



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### Notes to the Consolidated Financial Statements

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- d) On July 17, 2015, the Company closed the second of three tranches (the "Second Tranche") of a non-brokered private placement of 480,000 Units at a price of \$0.52 per unit for gross proceeds of \$249,600. Each Unit consists of one common share and one Warrant. Each Warrant is subject to the Warrant Terms for a period of 24 months from the closing date of the Second Tranche. The Warrants issued in the Second Tranche are also subject to the Accelerated Expiry Clause. 900 Finder's Warrants were issued upon closing of the Second Tranche, and were valued at a fair value of \$112. The fair value of each Finder's Warrant was \$0.12 per share whereas the exercise price is \$0.80.

The fair value was calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.41%, a dividend yield of \$nil, an expected volatility of 82.53% and an average expected life of 2 years. The average remaining contractual life of the Finder's Warrants is 0.71 years. As of January 31, 2017, all Finder's Warrants issued in the Second Tranche have been exercised.

- e) On July 24, 2015, the Company closed the final tranche (the "Final Tranche") of a non-brokered private placement of 846,160 Units at a price of \$0.52 per unit for gross proceeds of \$440,003. Each Unit consists of one common share and one Warrant. Each Warrant is subject to the Warrant Terms for a period of 24 months from the closing date of the Final Tranche. The Warrants issued in the Final Tranche are also subject to the Accelerated Expiry Clause.
- f) The non-brokered private placement raised gross proceeds of \$1,988,603 through the issuance of 3,824,237 Units.
- g) Please see the Blue Spec Project portion of section 8 – Exploration and Evaluation Assets for a detailed description of the 485,394 common shares of the Company issued to Northwest Resources on October 2, 2015.
- h) On March 8, 2016, the Company closed a non-brokered private placement (the "March 2016 Financing") of 3,927,884 units (each a "March 2016 Unit") at a price of \$0.60 per March 2016 Unit for gross proceeds of \$2,356,730. Each March 2016 Unit consists of one common share and one common share purchase warrant (each "March 2016 Warrant"). Each March 2016 Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$0.85 per share (the "March 2016 Warrant Terms") for a period of 24 months from the closing date of the March 2016 Financing. The March 2016 Warrants are subject to an accelerated expiry (the "March 2016 Accelerated Expiry Clause") whereby, starting one year from the date of issue of the March 2016 Warrants, if the daily high trading price of Novo's common shares exceeds \$1.25 for a period of 20 consecutive trading days, Novo may provide notice of early expiry and the March 2016 Warrants will expire 30 days thereafter. As part of the March 2016 Financing, the Company incurred share issuance costs of \$55,404.
- i) On July 26, 2016, the Company closed the first tranche of a non-brokered private placement (the "July 2016 Financing") of 1,642,471 units (each "July 2016 Unit") at a price of \$0.85 per July 2016 Unit for gross proceeds of \$1,396,100. Each July 2016 Unit consists of one common share and one common share purchase warrant (each a "July 2016 Warrant"). Each July 2016 Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$1.25 per share (the "July 2016 Warrant Terms") for a period of 24 months from the closing date of the July 2016 Financing. 20,000 Finder's Warrants were also issued pursuant to the July 2016 Financing with a fair value of \$16,495. The fair value of each Finder's Warrant was \$0.82 per share whereas the exercise price is \$1.25. The fair value was calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.58%, a dividend yield of \$nil, an expected volatility of 100.66% and an average expected life of 2 years. The July 2016 Warrants are subject to an accelerated expiry (the "July 2016 Accelerated Expiry Clause") whereby, starting one year from the date of issue of the July 2016 Warrants, if the daily high trading price of Novo's common shares exceeds \$1.65 for a period of 20 consecutive trading days, Novo may provide notice of early expiry and the July 2016 Warrants will expire 30 days thereafter. As part of the July 2016 Financing, the Company incurred share issuance costs of \$24,261. As of January 31, 2017, the Finder's Warrants had a remaining contractual life of 1.48 years.

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**Notes to the Consolidated Financial Statements****For the years ended January 31, 2017 and 2016**

- j) On August 12, 2016, the Company closed the second tranche of a non-brokered private placement (the "August 2016 Financing") of 4,921,223 units (each an "August 2016 Unit") at a price of \$0.85 per August 2016 Unit for gross proceeds of \$4,183,040. Each August 2016 Unit consists of one common share and one common share purchase warrant (each "August 2016 Warrant"). Each August 2016 Warrant entitles the holder thereof to purchase one additional common share of the Company at a price of \$1.25 per share (the "August 2016 Warrant Terms") for a period of 24 months from the closing date of the August 2016 Financing. 34,993 Finder's Warrants were also issued pursuant to the August 2016 Financing with a fair value of \$30,443. The fair value of each Finder's Warrant was \$0.87 per share whereas the exercise price of each Finder's Warrant is \$1.25. The fair value was calculated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.51%, a dividend yield of \$nil, an expected volatility of 100.66% and an average expected life of 2 years. The August 2016 Warrants are subject to an accelerated expiry (the "August 2016 Accelerated Expiry Clause") whereby, starting one year from the date of issue of the August 2016 Warrants, if the daily high trading price of Novo's common shares exceeds \$1.65 for a period of 20 consecutive trading days, Novo may provide notice of early expiry and the August 2016 Warrants will expire 30 days thereafter. As part of the August 2016 Financing, the Company incurred share issuance costs of \$105,099. As of January 31, 2017, the Finder's Warrants had a remaining contractual life of 1.53 years.

**Warrants**

The continuity of warrants is as follows:

	January 31, 2017		January 31, 2016	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of the period	3,834,137	\$ 0.80	-	\$ -
Granted	10,546,571	1.10	3,834,137	0.80
Exercised	(836,567)	(0.80)	-	-
<b>Balance, end of the period</b>	<b>13,544,141</b>	<b>\$ 1.03</b>	<b>3,834,137</b>	<b>\$ 0.80</b>

During the year ended January 31, 2017, the Company issued 10,546,571 warrants pursuant to the March 2016 Financing, the July 2016 Financing and the August 2016 Financing described above.

Full share equivalent warrants outstanding and exercisable at of January 31, 2017:

Expiry Date	Price Per Share	Warrants Outstanding
July 10, 2017	\$ 0.80	2,448,077
July 17, 2017	\$ 0.80	470,000
July 24, 2017	\$ 0.80	96,160
March 8, 2018	\$0.85	3,911,217
July 26, 2018	\$1.25	1,662,471
August 12, 2018	\$1.25	4,956,216
		<b>13,544,141</b>

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**Notes to the Consolidated Financial Statements****For the years ended January 31, 2017 and 2016****Share option plan**

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

The continuity of stock options is as follows:

	January 31, 2017		January 31, 2016	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of the period	1,260,000	\$ 0.39	1,260,000	\$ 0.39
Granted	3,975,000	0.94	-	-
Exercised	(10,000)	(0.45)	-	-
Expired	(200,000)	(0.94)	-	-
<b>Balance, end of the period</b>	<b>5,025,000</b>	<b>\$ 0.94</b>	<b>1,260,000</b>	<b>\$ 0.39</b>

The options outstanding and exercisable at January 31, 2017 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	3.36	250,000	\$ 0.20	
100,000	0.20	3.53	100,000	0.20	
900,000	0.45	0.05	900,000	0.45	
3,775,000	0.94	4.54	741,667	0.94	
<b>5,025,000</b>	<b>\$ 0.81</b>	<b>3.69</b>	<b>1,991,667</b>	<b>\$ 0.81</b>	

The options outstanding and exercisable at January 31, 2016 were 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	4.36	250,000	\$ 0.20	
100,000	0.20	4.53	100,000	0.20	
910,000	0.45	1.06	910,000	0.45	
<b>1,260,000</b>	<b>\$ 0.39</b>	<b>1.99</b>	<b>1,260,000</b>	<b>\$ 0.39</b>	

For the year ended January 31, 2017, the total share-based payment expense was \$2,463,368 (January 31, 2016 - \$nil).

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

	<b>January 31, 2017</b>
Risk-free interest rate	0.63%
Dividend yield	0.00%
Expected volatility	100.66%
Expected option life	4.54 years

**11. 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, and amounts incurred were expensed as consulting fees.

*(a) Key Management Personnel Disclosures*

During the years ended January 31, 2017 and 2016, the following amounts were incurred with respect to the key management and directors of the Company:

	<b>January 31, 2017</b>	<b>January 31, 2016</b>
	\$	\$
Consulting services	185,000	151,000
Wages and salaries	165,849	26,404
Wages and salaries included in exploration and evaluation assets	339,794	180,614
Share-based payments	1,170,315	-
	<u>1,860,958</u>	<u>358,018</u>

*(b) Other Related Party Disclosures*

During the years ended January 31, 2017 and 2016, the following amounts were incurred with respect to consulting services provided by a corporation controlled by the Chief Financial Officer:

	<b>January 31, 2017</b>	<b>January 31, 2016</b>
	\$	\$
Consulting services	120,000	120,000
	<u>120,000</u>	<u>120,000</u>

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

During the years ended January 31, 2017 and 2016, non-cash activities conducted by the Company related to the movement of mineral property expenditures in accounts payable and are as follows:

	<b>January 31, 2017</b>	<b>January 31, 2016</b>
	\$	\$
<i>Operating activities</i>		
Decrease in accounts payable and accrued liabilities	<u>(868,744)</u>	<u>327,196</u>
<i>Investing activities</i>		
Issuance of shares for mineral property	2,104,750	-
Issuance of shares for gold-right convertible debenture	2,387,261	-
Additions in exploration and evaluation assets	<u>868,744</u>	<u>(327,196)</u>

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

**For the years ended January 31, 2017 and 2016**

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#### **13. SHORT TERM LOAN**

On March 26, 2015, the Company entered into a loan agreement with its banking institution for an aggregate amount of \$5,000,000. The loan matured on October 31, 2015, bore interest at a rate of prime + 1.15%, and was secured by the Company's USD short-term investments totaling USD \$5,000,000. Interest was paid on a monthly basis. The Company repaid the loan in full on October 9, 2015. Payment included the principal amount of \$5,000,000 and \$106,199 in interest.

#### **14. FINANCIAL INSTRUMENTS**

##### **a) Fair value**

The Company's financial instruments include cash and cash equivalents, interest receivable, marketable securities, accounts payable and accrued liabilities, and the gold right convertible debenture. IFRS 7 *Financial Instruments: Disclosures* ("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 – applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – applies to assets or liabilities for which there are unobservable market data.

The recorded amounts of cash and cash equivalents, interest receivable and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

Marketable securities are measured using Level 1 inputs. The fair values of marketable securities are measured at the closing market price obtained from the exchange.

The Company's gold right convertible debenture was classified as a level 2 financial instrument, and the derivative liability component of the gold right convertible debenture was classified as a level 3 financial instrument. There were no transfers between levels during the period.

##### **a) 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.

##### **b) Foreign exchange rate risk**

The Company has operations in Canada, Australia, and the United States and is subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian, Australian and the United States dollar, and the fluctuation of the Canadian dollar in relation to these other currencies will have an impact upon the 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.

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At January 31, 2017 and 2016, the Company's Australian and US dollar denominated monetary assets and monetary liabilities are as follows:

<b>Australian Net Monetary assets (\$ AUD)</b>	<b>January 31, 2017</b>		<b>January 31, 2016</b>	
Cash and cash equivalents	\$	948,679	\$	555,914
Accounts payable and accrued liabilities	\$	431,736	\$	695,195
<b>US Net Monetary assets (\$USD)</b>	<b>January 31, 2017</b>		<b>January 31, 2016</b>	
Cash and cash equivalents	\$	119,895	\$	23,335
Accounts payable and accrued liabilities	\$	7,448	\$	16,829

The exposure to foreign exchange rate risk is as follows:

<b>Australian Net Monetary assets</b>		<b>10% Fluctuation</b>		
		<b>AUD</b>	<b>Impact (AUD)</b>	<b>CAD</b>
Cash and cash equivalents	\$	948,679	\$ 94,868	\$ 93,720
Accounts payable and accrued liabilities	\$	431,736	\$ 43,174	\$ 42,651
<b>US Net Monetary assets</b>		<b>USD</b>	<b>Impact (USD)</b>	<b>CAD</b>
Cash and cash equivalents	\$	119,895	\$ 11,989	\$ 15,622
Accounts payable and accrued liabilities	\$	7,448	\$ 745	\$ 970

**c) 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.

**d) 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.

**e) Interest Risk**

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at bank and GIC's 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.

**15. MANAGEMENT OF CAPITAL**

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

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

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

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

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

## 16. SEGMENTED INFORMATION

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

	As at January 31, 2017			
	Canada	Australia	USA	Total
	\$	\$	\$	\$
Equipment	-	486,626	-	486,626
Exploration and evaluation assets	-	34,781,556	440,284	35,221,840
	-	<b>35,268,182</b>	<b>440,284</b>	<b>35,708,466</b>

  

	As at January 31, 2016			
	Canada	Australia	USA	Total
	\$	\$	\$	\$
Marketable securities	76,706	-	-	76,706
Investment in associate	5,473	-	-	5,473
Equipment	-	416,972	2,825	419,797
Exploration and evaluation assets	-	25,346,095	122,644	25,468,739
	<b>82,179</b>	<b>25,763,067</b>	<b>125,469</b>	<b>25,970,715</b>

## 17. GOLD RIGHT CONVERTIBLE DEBENTURE

The Company closed a gold right convertible debenture financing (collectively the "Debentures" and each a "Debenture") on March 10, 2016, raising gross proceeds of \$2,071,300. The proceeds from the debentures were to be used for a trial mining operation at the Company's Beatons Creek project in Western Australia.

Each Debenture issued had a principal amount of \$1,100. The Debentures did not bear interest and matured on January 12, 2017. The Company could repay, in whole or in part, the Debentures at any time prior to the maturity date. Each Debenture was convertible into common shares of the Company, at any time at the option of the holder, at \$0.67 per share (the "Equity Conversion Right").

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Of the cash raised, \$1,400,300 was held in Canadian funds and the remainder was held in Australian funds. Given the requirement to revalue the Company's foreign cash holdings at each period end, the cash amount reported by the Company was subject to shifts in the Canadian-Australian foreign exchange rate. In addition, the Company agreed to certain restrictive covenants on the cash received from the Debentures, one of which required the Company to obtain bulk sampling permits before gaining access to the proceeds raised from the Debentures. As at October 31, 2016, the bulk sampling permits had been obtained and, as such, the amount raised was available for use by the Company.

Additionally, each Debenture conveyed a gold redemption right (the "Gold Redemption Right") whereby the Company had the right, prior to January 2, 2017, to give the Debenture holders notice that it intended to repay them in gold produced from the Company's Beatons Creek project at a redemption price of \$1,100 per ounce of gold, provided that the Company had produced at least 2,000 ounces of gold from its Beatons Creek project (the "Threshold Production Amount") on or before December 15, 2016.

If the Company reached or exceeded the Threshold Production Amount on or before December 15, 2016, but had not provided the Debenture holders with a notice to exercise the Gold Redemption Right by January 2, 2017, the Debenture holders would have had the right to give the Company notice of exercise of the Gold Redemption Right, the Equity Conversion Right, or that they require repayment of the Debenture principal in cash.

The gold redemption right embedded derivative portion of the financial liability is designated as FVTPL and on initial recognition and subsequently to the conversion date, the Company determined that the fair value was \$nil after taking into consideration the probability of the production threshold being met.

The Company designated the debt host component and closely related prepayment option as a financial liability which was initially recognized at fair value and subsequently carried on an amortized cost basis. Transaction costs of \$11,514 were incurred and have been amortized over the life of the debt host liability as part of the effective interest. For the year ended January 31, 2017, a financing expense from the accretion of the debt was recorded of \$327,475 (January 31, 2016 - \$nil).

The residual value from the consideration received by the Company was \$315,961 and was designated as an equity component, representing the fair value attributed to the conversion feature.

For subsequent measurement, the fair value of the embedded derivative was determined using the same method by considering a management estimate of the probability of the production threshold being met and applying it to the present value of the difference between the futures price and the redemption right. During the year ended January 31, 2017, all outstanding convertible debentures were converted into common shares of the Company. As a result, the Company recorded a charge to share capital of \$2,387,262 and recognized an accretion expense of \$327,475 (January 31, 2016 - \$nil).

## 18. INCOME TAXES

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

	2017	2016
	\$	\$
Loss before income taxes	(4,143,615)	(457,650)
Tax recovery based on statutory rate of 26.00% (PY: 26.00%)	(1,078,000)	(119,000)
Difference in tax rates due to other jurisdictions	(37,000)	(1,000)
Non-deductible expenses	641,000	51,000
Other	(192,000)	55,000
Change in unrecognized deferred tax assets	665,000	14,000
Deferred income tax expense / (recovery)	-	-

The Canadian Federal corporate tax rate is 15.00%, and the British Columbia provincial tax rate is 11.00%.



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The tax rate of 34.00% represents the statutory rate applicable for the 2017 taxation year for the USA, and 30.00% for Australia, and nil for the British Virgin Islands.

**Deferred Tax Assets and Liabilities**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred Tax Assets:</b>		
Non-capital losses	2,163,000	1,510,000
Capital losses	281,000	75,000
Un-deducted financing costs	49,000	31,000
Marketable securities	-	213,000
Capital assets	3,000	3,000
Foreign exchange	48,000	48,000
Deferred tax assets	<u>2,544,000</u>	<u>1,880,000</u>
<b>Deferred Tax Liabilities:</b>		
Exploration and evaluation assets	(510,000)	(510,000)
Off-set with deferred tax assets	510,000	510,000
Deferred tax liabilities	<u>-</u>	<u>-</u>
Unrecognized deferred tax assets	<u>(2,034,000)</u>	<u>(1,370,000)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

As at January 31, 2017, the Company has estimated non-capital losses for Canadian tax purposes of \$4,675,000, non-capital losses for Australian tax purposes of \$1,041,000, and net operating losses for US tax purposes of \$1,654,000, which may be carried forward to reduce taxable income derived in future years.

**19. EVENTS AFTER THE REPORTING PERIOD**

- a) Between February 8 and February 20, 2017, 900,000 stock options exercisable at \$0.45 were exercised. The Company received gross proceeds of \$405,000.
- b) On April 11, 2017, the Company entered into a binding terms sheet with an arm's length vendor (the "Vendor") to acquire the Vendor's interest in the Comet Well project in the Karratha region of Western Australia (the "Comet Well Project"). The Comet Well Project consists of a 100% interest in three special prospect licenses, a 100% interest in an exploration licence, and a 25% interest in a second exploration licence.

An initial payment of AU\$100,000 (\$99,950) was made to the Vendor. Subsequent payments of AU\$150,000 and AU\$350,000 worth of Novo's common shares (the "Consideration Shares"), to be calculated based on Novo's then 5-day trailing volume-weighted average price ("VWAP") at the time of execution of the definitive agreement concerning this transaction, will be made to the Vendor in accordance with the definitive agreement.

The Company will also pay a bonus (the "Discovery Bonus") to the Vendor of AU\$1,000,000 in cash or common shares if Novo publishes measured, indicated, or inferred gold resources of over 250,000 ounces on the Comet Well Project. If the Vendor chooses to receive payment of the Discovery Bonus in the Company's common shares, the shares will be priced at the Company's then 5-day trailing VWAP.

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- c) On May 4, 2017, the Company closed a brokered private placement, raising gross proceeds of \$15,000,051 (the "Offering"). Pursuant to the Offering, the Company issued 22,727,350 units (the "Units") at a price of C\$0.66 per Unit. Each Unit is comprised of one common share of the Company (a "Common Share") and one transferable common share purchase warrant (a "Warrant"), each Warrant entitling the holder thereof to acquire one Common Share at a price of C\$0.90 until May 4, 2019.

In connection with the Offering, Red Cloud Klondike Strike Inc. and Haywood Securities Inc. received a cash fee in an amount equal to 6.5% of the gross proceeds of the Offering (excluding proceeds from certain subscribers) and were granted Common Shares equal to 6.5% of the aggregate number of Units sold in the Offering (excluding Units sold to certain subscribers). Each Broker Warrant is exercisable at a price equal to C\$0.66 until May 4, 2019.

- d) On May 26, 2017, the Company announced that it had entered into a preliminary binding memorandum of agreement to farm-in and joint venture gold rights with Artemis Resources Limited ("Artemis"), an ASX-listed mining company, on Artemis' large, 1,536 square km, exploration package in the Pilbara region of Western Australia. The Company will farm-in to 50% of the gold rights in Artemis' current and future tenements within 100km of Karratha by expending AUD \$2 million on exploration within two years of satisfying conditions precedent in the farm-in and joint venture agreement.