TSX: NVO; OTCQX: NSRPF

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended March 31, 2021

Dated May 14, 2021

(Expressed in Canadian Dollars)

The following Management Discussion and Analysis ("**MD&A**") of the results of operations and financial condition of Novo Resources Corp. (the "**Company**" or "**Novo**"), prepared as of May 14, 2021, should be read in conjunction with the condensed consolidated interim financial statements of Novo for the three months ended March 31, 2021 and 2020 (the "**Q1 Financial Statements**") and accompanying notes thereto. The Q1 Financial Statements are prepared in accordance with International Financial Reporting ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**") and this MD&A includes the results of the Company's subsidiaries, Novo Resources (USA) Corp., Conglomerate Gold Exploration (B.V.I.) Ltd., Karratha Gold Exploration (B.V.I.) Ltd., Conglomerate Gold Exploration Pty. Ltd., Nullagine Gold Pty. Ltd., Beatons Creek Gold Pty. Ltd., Grant's Hill Gold Pty. Ltd., Karratha Gold Pty. Ltd., Rocklea Gold Pty. Ltd., Meentheena Gold Pty. Ltd., Farno-McMahon Pty. Ltd., and Millennium Minerals Pty. Ltd. ("**Millennium**"). All figures in this MD&A are in Canadian dollars unless stated otherwise.

In this MD&A:

"**Q1 2021**" means the three-month period ended March 31, 2021; and

"**Fiscal 2020**" means the 11-month fiscal year ended December 31, 2020.

All amounts are expressed in Canadian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise noted. Additional information relating to the Company, including the Company's annual information form for the eleven-month period ended December 31, 2020, is available on SEDAR at www.sedar.com.

Caution on Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of Canadian securities laws. Forward-looking information in this MD&A includes, but is not limited to, the Company's operations at its Beatons Creek Project (hereinafter defined); the Company achieving commercial production; the use of proceeds from the Offering (hereinafter defined) and other available funds; the Company's ability to leverage recently increased PhotonAssay unit capacity in Western Australia to significantly improve assay turnaround times; increased recovery rates following the planned maintenance shutdown of the Golden Eagle Mill (hereinafter defined); the value of certain Company assets, in particular the fair value of marketable securities held by the Company; the Company's planned production from, and further potential of, the Company's mineral properties; the Company's ability to raise additional funds; the future price of minerals, particularly gold; the estimation of mineral resources; the realization of mineral resource estimates; capital expenditures; success of exploration activities; exploration and development issues; currency exchange rates; government regulation of exploration, development, and mining operations; and environmental risks. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on numerous factors including but not limited to assumptions underlying mineral resource estimates and the realization of such estimates. Capital and development cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of development and operating costs and other factors. Forward-looking information is characterized by words such as "plan", "expect", "budget", "target", "schedule", "estimate", "forecast", "project", "intend", "believe", "anticipate" and other similar words or statements that certain events or conditions "may", "could", "would", "might", or "will" occur or be achieved. Forward-looking information is based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information.

Such factors include: the Commercial Production Factors (as hereinafter defined); the fluctuating price of gold; reliance on third parties to provide technical services and information, particularly with respect to assay turnaround timeframes; success of exploration, development and operations activities; the ability to comply with and maintain the Amended Credit Facility (hereinafter defined) in good standing; health, safety and environmental risks; risks relating to foreign operations and expropriation or nationalization of operations; variations in the estimation of mineral resources; uncertainty relating to mineral resources; the potential of cost overruns; risks relating to government regulation; the impact of Australian laws regarding foreign investment; access to additional capital; volatility in the market price of the Company's securities; liquidity risk; risks relating to native title and Aboriginal heritage; risks relating to the construction and development of new operations; the availability of adequate infrastructure; the availability of adequate energy sources; seasonality and unanticipated weather conditions; limitations on insurance coverage; the prevalence of competition within the industry; currency exchange rates (such as the United States dollar and the Australian dollar versus the Canadian dollar); risks associated with foreign tax regimes; risks relating to potential litigation; risks relating to the dependence of the Company on outside parties and key management personnel; risks in the event of a potential conflict of interest; as well as those risk factors discussed or referred to herein and in the Company's annual management's discussion and analysis, which are incorporated herein by reference and are also available under the Company's profile on the SEDAR website at www.sedar.com. In the event of any inconsistency or discrepancy between the risk factors in the Company's annual management's discussion and analysis, and those discussed or referred to herein, the risk factors herein shall prevail.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward looking statements prove incorrect, actual results might vary materially from those anticipated in those forward looking statements. The assumptions referred to above and described in greater detail under "Risk Factors" should be considered carefully by readers.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements. The Company does not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada. If the Company updates any forward-looking statement(s), no inference should be drawn that the Company will make additional updates with respect to those or other forward-looking statements.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

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

The Company is engaged primarily in the business of evaluating, acquiring, exploring, and developing natural resource properties with a focus on gold. On March 31, 2021, the Company formalized a decision to mine its flagship Beatons Creek conglomerate gold project (the "**Beatons Creek Project**") in the Nullagine region of Western Australia. In addition, the Company is exploring and developing its other mineral properties, including its Karratha, Egina, and peripheral projects. The Company's head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, V6C 3B6. The Company's operational office and corporate staff are located at Level 1, 680 Murray Street, West Perth, Western Australia, 6005, Australia.

Current assets totalled $36,648,000 as at March 31, 2021 (December 31, 2020 - $46,976,000). The decrease in total current assets is mainly due to development spend at the Beatons Creek Project, which was partially offset by an increase in inventory and receivables balances. The Company deploys its cash in order to fund development at the Beatons Creek Project, as well as exploration and development activities on its other mineral properties.

Non-current assets at March 31, 2021 totalled $409,776,000 (December 31, 2020 - $409,432,000). The slight increase in non-current assets is mainly due to a decrease in value of the Company's right of use assets, accounted for pursuant to IFRS 16 *Leases*, an increase in the value of the Beatons Creek Project as presented on the Company's condensed interim consolidated statements of financial position as a "mine development asset", a decrease in the Company's exploration and evaluation assets pursuant to an impairment charge resulting from the expiry of certain immaterial tenure and foreign exchange rate fluctuations, and a decrease in the value of the Company's marketable securities.

During Q1 2021, the Company reported a net gain after tax of $1,723,000, which represents a $0.01 basic and diluted income per share (Fiscal 2020 – loss after tax of $6,300,000, which represents a $0.03 basic and diluted loss per share). While the Company recognized inaugural revenue in Q1 2021, the profit is mainly attributable to a one-time recognition of $14,067,000, relating to the Company's disposition of a portion of its Blue Spec project in Western Australia.

Q1 2021 Highlights & Subsequent Events

During Q1 2021 and up to the date of this MD&A, the Company achieved its inaugural gold pour and continued to develop the Beatons Creek Project as follows:

- Restart of Millennium's operating infrastructure completed successfully, with completion of the refurbishment of the Company's processing facility (the "**Golden Eagle Mill**") occurring in February 2021
- Commissioning and development progressed safely (no lost time injuries recorded as at the date of the MD&A) and within expectations amid a favourable gold price environment
- 3,497 oz Au and 561 oz Ag sold during Q1 2021 for inaugural gross revenue of $7,718,000
- In aggregate, 8,791 oz Au and 1,363 oz Ag sold to date of this MD&A
- Planned maintenance shutdown of the Golden Eagle Mill in late April 2021 went according to plan, with throughput of over 108,000 tonnes in April 2021
- Mining and haulage operations are progressing within expectations, with mining rates reaching nearly 100,000 tonnes of mineralized material in March and April 2021
- Golden Eagle Mill recovery rates at 92% through April 2021, with recoveries expected to increase subsequent to the planned maintenance shutdown
- Mining and geological processes are continually being refined to optimize mining and processing operations and to minimize mineralization loss and dilution

The Company amended its US$60 million credit facility (the "**Credit Facility**") with Sprott Resource Lending Corp. and Sprott Private Resources Lending II (Collector), LP (collectively, "**Sprott**") and drew down an additional US$5 million in early April 2021[1]. In addition, the Company closed a brokered private placement (the "**Offering**") of special warrants ("**Special Warrants**") in May 2021 to raise net proceeds of approximately $24.6 million by the issuance of 10,353,000 Special Warrants at a price of $2.55 per Special Warrant[2].

GBM Option Exercise

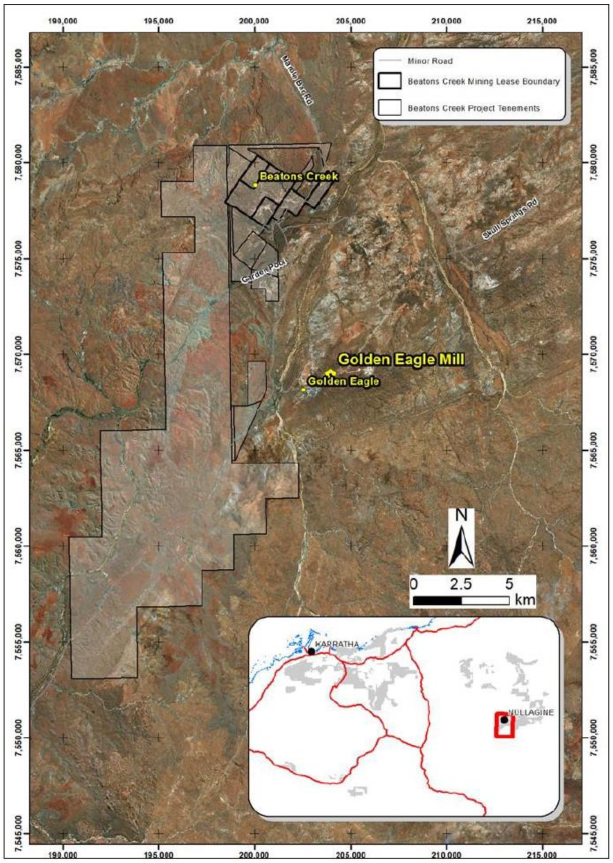
On May 13, 2021, the Company confirmed that all conditions precedent to the transfer of a 50% interest in GBM Resources Limited's ("**GBM**") Malmsbury gold project in Victoria, Australia, were satisfied, including the receipt of Australian Foreign Investment Review Board approval[3]. As a result, the Company issued 1,575,387 common shares to GBM.

Outlook

The primary tenements comprising the Beatons Creek Project cover an area of 9.68km^2, with surrounding tenure spanning an additional 150km^2 (*figure 1*). As at March 31, 2021, the Company spent approximately $10,000,000 refurbishing the Golden Eagle Mill and associated infrastructure, and an additional $19,442,000 developing the Beatons

1 Refer to the Company's news release dated April 9, 2021.
2 Refer to the Company's news releases dated April 14, 2021 and May 4, 2021.
3 Refer to the Company's news release dated May 13, 2021.

Creek Project. Golden Eagle Mill refurbishment was completed on schedule, and the development of the Beatons Creek Project continues as mining operations develop.



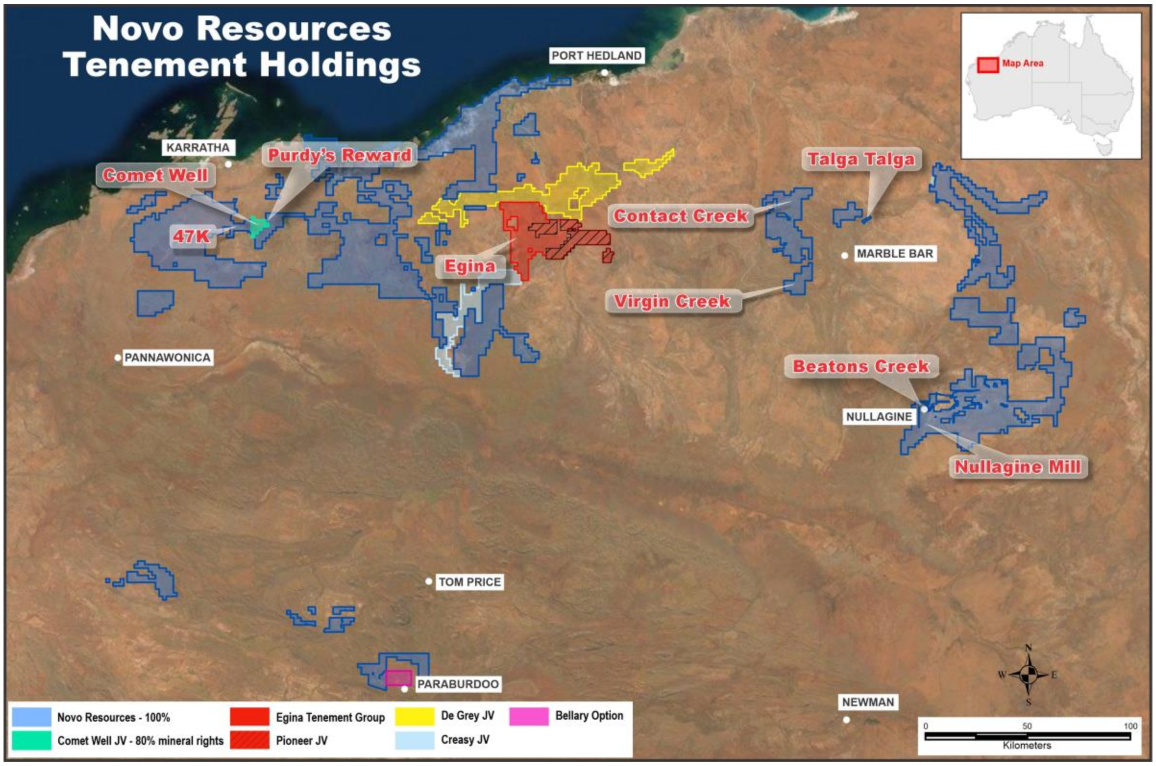
(*Figure 1*: *Map of the Beatons Creek Project relative to the Golden Eagle Mill.)*

Grade control and resource upgrade reverse circulation drilling at 20 x 20m spacing continues throughout the entire Beatons Creek Project. The initial focus is on mine scheduling priorities, and also to achieve a higher level of confidence in the resource at the Beatons Creek Project. Infill grade control at 10 x 10m spacing will be undertaken in more geologically complex areas where more detail is required. Whilst the PhotonAssay technique has proved ideally suited for the Beatons Creek Projet grade control regime, significant delays have been experienced in third party assay turnaround times, with only around half of all grade control sample results returned to date. Novo geologists have compensated for these delays by continuing to develop visual techniques to guide selective mining operations.

Novo expects to leverage recently increased PhotonAssay unit capacity in Western Australia to significantly improve assay turnaround times. Novo has used PhotonAssay technology extensively throughout its Pilbara projects and is currently establishing an internal sample preparation facility on site at the Golden Eagle Mill, producing samples for distribution to the increased capacity of photon assay facilities.

The proceeds from the Offering are allowing the Company to focus on completing recommended work programs outlined in the preliminary economic assessment ("**PEA**") for the Beatons Creek Project announced by the Company in late March 2021 and subsequently filed on SEDAR on April 30, 2021[4], including the grade control and resource upgrade drilling. The Company is also aggressively pursuing exploration opportunities across the Pilbara region of Western Australia (*figure 2*).

4 Refer to the technical report prepared pursuant to National Instrument 43-101 Standards of Disclosure for Mineral Projects ("**NI 43-101**") related to the results of a PEA for its Beatons Creek Project, Western Australia. The independent technical report, entitled "Preliminary Economic Assessment on the Beatons Creek Gold Project, Western Australia" (the "**2021 Technical Report**"), with an effective date of February 5, 2021 and an issue date of April 30, 2021, was prepared for Novo by Jason Froud (BSc Hons, Grad Dip (Fin Mkts), MAIG), Andrew Grubb (BE (Mining), FAusIMM), and Ian Glacken (BSc Hons, MSc (Mining Geology), MSc (Geostatistics) PGCert (comp), DIC, FAusIMM(CP), FAIG, CEng, MIMMM) of Optiro Pty Ltd of Perth, Australia, and William George Gosling (BE (Extractive Metallurgy), FAusIMM) of GR Engineering Services, also of Perth, Australia (collectively, the "**QPs**"). The QP's are qualified persons as defined under NI 43-101. The 2021 Technical Report is available under the Company's profile on the SEDAR website at www.sedar.com (filing date: April 30, 2021) and on the Company's website at www.novoresources.com.



*(**Figure 2**: Map of Novo's tenure in the Pilbara, Western Australia.)*

Over the next 12 months, the Company intends to initiate drilling and sampling programs across its properties, particularly in the Nullagine and East Pilbara regions which include the Company's Mt. Elsie, Talga Talga, Contact Creek, and Virgin Creek projects along tenure surrounding the Beatons Creek Project. The Company also intends to deploy the Steinert KSS 100F LIXT fine mechanical sorting unit to the Pilbara in Q2 2021. 2021 exploration efforts have been stymied in the early half of 2021 by inclement weather and the Company's focus on developing operations at the Beatons Creek Project, but proceeds from the Offering have been allocated to pursue these exploration programs.

The Company achieved its inaugural gold pour during Q1 2021 and expects to continue to increase production at the Beatons Creek Project. As at the date of this MD&A, the Beatons Creek Project had not achieved commercial production. The decision by Novo to produce at the Beatons Creek Project was not based on a feasibility study to define mineral reserves demonstrating economic and technical viability and, as a result, there is an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on Novo's cash flow and future profitability.

Management considers several factors (the "**Commercial Production Factors**") in determining when a mining property has reached levels of intended operating capacity, including:

(a) when the mine is substantially complete and ready for its intended use;

(b) the mine has the ability to sustain ongoing production at a steady or increasing level;
(c) the mine has reached a level of pre-determined percentage of design capacity;
(d) mineral recoveries are at or near the expected production level; and
(e) a reasonable period of testing of the mine, plant and equipment has been completed.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Sales of gold and silver are recorded at the spot price on the date of sale.

Revenue from the sale of gold and silver during mine development is recognised in the condensed interim consolidated statement of profit or loss and other comprehensive loss.

As expenditure incurred during the development phase of the mine relates to both commissioning the mine and the production of inventory, there is significant judgement involved in allocating expenditure between mine development expenditure and the cost of inventory. In determining the costs to be allocated to inventory sold during the period, consideration is given to the estimated mining and processing costs per tonne expected to be achieved when the mine is operating in a manner as intended by management. In practice, this means that little to no income from mine operations is recognized while a property is not yet in commercial production. Costs of goods sold typically equate to revenue, with any difference in production costs being capitalized to mine development expenditure.

At such time as any of the Company's properties enters commercial production (if at all), the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

SELECTED FINANCIAL INFORMATION

Management is responsible for the Q1 Financial Statements referred to in this MD&A and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. Although the Company's Audit Committee reviews the Q1 Financial Statements and MD&A and makes recommendations to the Company's board of directors (the "Board"), the Board has final approval of the Q1 Financial Statements and MD&A.

The Q1 Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with Novo's audited financial statements for the 11-month fiscal year ended December 31, 2020 (the "**Annual Financial Statements**"), which have been prepared in accordance with IFRS as issued by the IASB.

RESULTS OF OPERATIONS

The following financial data has been derived from Novo's Q1 Financial Statements:

Three-months ended March 31, 2021 vs. three-months ended March 31, 2020

The Company recognized inaugural revenue from the Beatons Creek Project in Q1 2021 totalling $7,718,000. Nil revenue was recognized for the three-month period ended March 31, 2020 because the Company was still in the exploration and development stage at the time and did not have any operating assets.

	3 months ended March 31, 2021 $'000	**3 months ended March 31, 2021 $'000**
Total revenue	**7,718**	-
Profit from operations	**5,050**	(6,898)
Other expenses/income, net	**(1,903)**	852
Profit / (loss) after tax	**1,723**	(6,300)
Comprehensive loss	**(9,964)**	(1,720)
Basic and diluted income / (loss) per common share	**0.01**	(0.03)

The Company recognized a profit from operations of $5,050,000 (March 31, 2020 loss - $6,898,000) which was predominantly driven by the following general and administrative expenses:

	March 31, 2021 $'000	March 31, 2020 $'000
Accounting and audit	50	141
Consulting services	114	157
Insurance	226	178
Legal fees	67	68
Office and general	1,196	456
Share based payments	4,328	1,624
Wages and salaries	1,664	282
Total	**7,645**	**2,906**

Significant increases in share based payments, office and general expenses, and wages and salaries caused general and administrative expenses to increase by $4,739,000 between the three-month periods ended March 31, 2020 and 2021.

Share based payments increased by $2,704,000 due to an acceleration of the expense associated with certain incentive stock options granted to employees and non-employees with production milestone-based vesting conditions. A number of the Company's outstanding incentive stock options vest fully once the Company produces 10,000 ounces of gold from any project. An additional batch of incentive stock options vests fully once the Company produces 60,000 ounces of gold from any project. Based on the Company's production to date, management has accelerated the vesting of these options in line with its projected production schedule, effectively capturing the remaining expense associated with these incentive stock options during the 12-month period ended December 31, 2021.

Office and general expenses increased by $740,000, and wages and salaries increased by $1,382,000 as the Company's team expanded through Q1 2021. Prior to acquiring Millennium in September 2020, the Company had 37 employees. As at the date of this MD&A, the Company had 119 employees and carried significantly more overhead expenditure than for the three-month period ended March 31, 2020.

The Company's loss from operations included an impairment expense of $1,372,000 (March 31, 2020 - $3,992,000) related to the surrender or expiry of some of the Company's mineral tenure in the ordinary course of business.

Profit from operations increased by $11,948,000 as a result of the sale of a portion of the Company's Blue Spec project in Western Australia[5]. The Company received cash payments $9,701,000 (AUD $10,000,000) in Q1 2021 and recognized a receivable on March 31, 2021 totaling $5,337,000 representing the fair value of 13,333,333 ordinary shares of Calidus Resources Limited ("**Calidus**") which were received on April 1, 2021 as consideration for the Blue Spec project. The Company previously received cash payments of $2,652,000 (AUD $2,700,000) from Calidus during Fiscal 2020 for gross aggregate consideration of $17,394,000 for the Blue Spec project.

5 Refer to the Company's news releases dated September 21, 2020, November 25, 2020, February 1, 2021, and March 23, 2021.

Use of Proceeds from October 27, 2020 Short Form Prospectus

On August 27, 2020, the Company closed a private placement of subscription receipts (the "**2020 Private Placement**"). The net proceeds from the 2020 Private Placement were used as previously disclosed, without variance.

SUMMARY OF QUARTERLY RESULTS

The following information is derived from and should be read in conjunction with the Annual Financial Statements of Novo and the interim condensed financial statements for each of the past eight quarters which have been prepared in accordance with IFRS applicable to interim financial reporting including IAS 34.

	1st Quarter 2021 March 31, 2021	**4th Quarter 2020 December 31, 2020**	**3rd Quarter 2020 October 31, 2020**	**2nd Quarter 2020 July 31, 2020**	**1st Quarter 2020 April 30, 2020**	**4th Quarter 2020 January 31, 2020**	**3rd Quarter 2020 October 31, 2019**	**2nd Quarter 2020 July 31, 2019**
Revenue $'000	**7,718**	**-**	**-**	**-**	-	-	-	-
Net Loss $'000	**1,723**	-1,514	-8,159	-3,826	-3,927	-5,952	-2,249	-934
Basic and Diluted Loss per share	**-$0.01**	-$0.09	-$0.04	-$0.02	-$0.02	-$0.03	-$0.01	-$0.01

Prior to Q1 2021, the Company focused its efforts on exploring its various mineral properties across the Pilbara region of Western Australia. While the Company's accounting policy is to capitalize exploration expenditure, the Company retained significant exploration and corporate teams in order to retain and explore its 14,000 km^2 of tenure. As such, the Company recognized a net loss for each quarter prior to Q1 2021 due to the nature of the Company's non-revenue generating business processes.

Prior to Q1 2021, variances in quarterly net loss were predominantly driven by variability in share based payment and impairment expenses, as well as other items such as unrealized gains on marketable securities. The Company recognized inaugural revenue and net income during the quarter ended March 31, 2021. Revenue was earned from gold and silver sales at the Beatons Creek Project. While losses from operations increased during Q1 2021 due to an increase in the Company's headcount and general business activity as it further develops the Beatons Creek Project, as well as finance costs due to the recognition and payment of interest on the Credit Facility, net income was recognized due to a one-time gain from the sale of a portion of the Company's Blue Spec project which completed in Q1 2021.

The Company was not producing prior to Q1 2021; therefore, changes to cash flows caused by changes in production throughput and associated metrics do not yet exist. During Q1 2021, head grade at the Golden Eagle Mill ranged from 0.6-3.5 gpt Au, indicative of the nuggety nature of the Beatons Creek Project mineralization. Recovery rates averaged 92% through the end of April 2021, with recoveries expected to increase subsequent to the planned maintenance shutdown of the Golden Eagle Mill in late April 2021.

LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2021	December 31, 2020	January 31, 2020	January 31, 2019
	$'000	$'000	$'000	$'000
Cash	**20,801**	40,494	28,703	42,832
Short-term investments	**209**	195	88	93
Working capital[1]	**5,720**	14,071	26,051	39,789
Credit Facility adjusted working capital (**USD**)[2]	**19,026**	25,089	-	-
Total assets	**446,424**	456,408	158,049	156,665
Current liabilities excluding current portion of financial liabilities[3]	**12,722**	12,083	1,082	4,593
Non-current liabilities excluding non-current portion of financial liabilities[3]	**26,963**	28,615	-	-
Financial liabilities (current and non-current)[3]	**81,055**	86,271	8,565	2,825
Total liabilities	**120,740**	126,969	9,647	7,418
Shareholders' equity	**325,684**	329,439	148,402	149,247

1. Working capital is calculated as current assets (including cash and short-term investments) less current liabilities.

2. Credit Facility adjusted working capital allows for the exclusion of IFRS 16 lease liabilities and liabilities associated with the Sumitomo joint venture over the Company's Egina project from the working capital calculation. The amount is converted into USD using the Bank of Canada's March 31, 2021 closing rate of 0.7952:1. The Credit Facility working capital covenant floor is USD $5 million.

3. Financial liabilities include Sumitomo liabilities, deferred consideration on mineral properties, long-term debt, and lease obligations.

The Company amended the Credit Facility with Sprott and drew down an additional US$5 million in early April 2021. Refer to Note 14 of the Q1 Financial Statements for further details. An additional US$10 million remains available under the Credit Facility until September 30, 2021, subject to the satisfaction of certain conditions precedent. The Company also closed the Offering in May 2021 to raise net proceeds of $24.6 million by the issuance of 10,353,000 Special Warrants at a price of $2.55 per Special Warrant. The Offering and the additional US$5 million Credit Facility drawdown should provide the Company with sufficient liquidity and working capital to continue developing the Beatons Creek Project while initiating Pilbara-wide exploration programs over the next 12 months.

Although the Company intends to use funds from the Offering and the additional US$5 million Credit Facility drawdown as indicated above, the actual allocation or expenditure of these funds may vary depending on several factors including market conditions, future developments and operating results or unforeseen events. See "Risk Factors – *Dependence on Future Financing*".

Pursuant to the terms of the Credit Facility and covenants therein, the Company must maintain minimum working capital and unrestricted cash balances. As at March 31, 2021, the Company was in compliance with these covenants.

Operating Activities

Cash used by operating activities during Q1 2021 totalled $1,417,000 (March 31, 2020 – cash generated of $4,152,000). Adjustments to cash used by operating activities included impairment of mineral property of $1,372,000 (March 31, 2020 - $3,992,000), depreciation on right of use assets of $3,032,000 (March 31, 2020 - $94,000), share based payment expenses of $4,328,000 (March 31, 2020 - $1,624,000), and a one-time gain on the sale of the Blue Spec project of $14,067,000 (March 31, 2020 - $nil).

Investing Activities

Cash used in investing activities during Q1 2021 was $13,038,000 (March 31, 2020 – $4,356,000). While the Company's principal investing activity during the three-month period ended March 31, 2020 was the acquisition, exploration, and development of its resource properties, the Company focused its efforts on developing the Beatons Creek Project in Q1 2021 and incurred $15,203,000 (March 31, 2020 - $nil) in mine development expenses.

Financing Activities

Cash used by financing activities during Q1 2021 totalled $5,154,000 (March 31, 2020 – generated from $3,258,000), which relates to the payment of the Comet Well deferred consideration (as described in note 6 *Exploration and Evaluation Assets* of the Company's Q1 Financial Statements) and the principal portion of IFRS 16 lease liabilities.

Cash Resources and Going Concern

The Q1 Financial Statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

For Q1 2021, the Company reported operating cash outflows of $1,417,000 (March 31, 2020: inflows of $4,152,000). The Company had cash on hand of $47,851,000 at May 14, 2021 and $20,801,000 at March 31, 2021.

Subsequent to period end (see Note 26 of the Q1 Financial Statement), the Company increased its cash reserves by:

- Drawing down USD $5 million from the Amended Sprott Tranche 2 (as defined below) on April 8, 2021; and
- Closing the Offering (as defined below) on May 4, 2021, raising gross proceeds of $26.4 million by issuing 10,353,000 Special Warrants (as defined below) at a price of $2.55 per Special Warrant.

Since December 31, 2020, the Company has continued to develop its Beatons Creek Project. The directors have prepared a cash flow forecast which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing these financial statements.

Based on the cash flow forecast and revenue and operating cost assumptions therein, along with forecast commodity prices and foreign exchange rates, the directors are satisfied that the going concern basis of preparation is appropriate. A critical element to achieving the forecast cash flows, and forecast covenant compliance under the Credit Facility, is the Company's ability to achieve forecast gold production in accordance with Board approved forecasts.

If the Company does not meet its cash flow forecast, it may need to rely on a number of options, including management of both operating cash flow and capital expenditure to align with available funds, obtaining waivers or rescheduling of repayments under the Credit Facility with Sprott, disposing of non-core assets to the extent permitted under the Credit Facility, securing additional funding which may include refinancing the Credit Facility with other parties, securing funds by raising further capital from equity markets, or a combination of these options.

The directors are confident of the Company's ability to manage its cash flow as required. Notwithstanding the above, these conditions indicate a material uncertainty that may cast doubt about the Company's ability to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Contractual Obligations

As at March 31, 2021, the Company had the following contractual obligations outstanding:

As at March 31, 2021	Within 1year $'000	Within 1-2years $'000	Within 2-3years $'000	Within 3+years $'000	Total $'000
Trade and other payables	12,722	-	-	-	12,722
Leases	14,203	13,427	13,437	3,972	45,039
Sumitomo funding liability	5,909	-	-	-	5,909
Credit facility	3,194	11,845	19,301	9,021	43,361

OFF-BALANCE SHEET TRANSACTIONS

There are currently no off-balance sheet arrangements which could have a material effect on current or future results of operations, or the financial condition of the Company.

ADDITIONAL DISCLOSURE

Related Party Transactions

Key Management Personnel Disclosures

During Q1 2021 and the three-month period ended March 31, 2020, the following amounts were incurred in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties:

Name	Nature of Compensation	3 Months Ended March 31, 2021 $'000	3 Months Ended March 31, 2020 $'000
Chairman, President & Director	Salary	95	95
CEO & Director	Salary	110	70
CFO & Corporate Secretary	Salary	89	71
VP, Corporate Communications	Consulting	45	45
Independent Directors	Director Fees	94	28
Total		**433**	**309**

Details of these compensation arrangements are outlined in the Company's Form 51-102F6V Statement of Executive Compensation (most recently filed on SEDAR on July 30, 2020).

From time to time, the Board incentivizes the Company's management, employees, and consultants by issuing incentive stock options. Amounts outlined in the table above represent such portion of the Company's share-based payment expenses which relate to incentive stock options granted to the Company's management and Board, namely the Chairman/President/Director, two independent directors, the Chief Executive Officer/Director, the Chief Financial Officer/Corporate Secretary, and the VP, Corporate Communications. The Company's methodology for calculating the fair value of share-based payments is outlined in note 2 of the Annual Q1 Financial Statements. Share-based payments relating to these key management personnel and directors totaled $1,667,000 during Q1 2021 (March 31, 2020 - $659,000).

Critical Accounting Estimates

The accounting policies and methods of application applied by the Company in the Q1 Financial Statements (refer to note 2 *Basis of Preparation and Significant Accounting Estimates*) are the same as disclosed in the Annual Financial Statements.

Accounting policies adopted during the period for new transactions and events

Revenue – Gold and silver sales

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Sales of gold and silver are recorded at the spot price on the date of sale.

Revenue from the sale of gold and silver during mine development is recognised in the condensed interim consolidated statement of profit or loss and other comprehensive loss.

Significant accounting judgements and estimates

The preparation of condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are consistent with those described in the Company's consolidated financial statements for the period ended December 31, 2020, except as noted below.

Judgements

Information about additional critical judgements in applying accounting policies are discussed below:

Commercial Production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of mine development costs. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgment. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- When the mine is substantially complete and ready for its intended use;
- The mine has the ability to sustain ongoing production at a steady or increasing level;
- The mine has reached a level of pre-determined percentage of design capacity;
- Mineral recoveries are at or near the expected production level, and.
- A reasonable period of testing of the mine, plant and equipment has been completed.

Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate. As at March 31, 2021, the Beatons Creek project had not achieved commercial production.

Revenue – Determining the timing of the transfer of control

Revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. Revenue from bullion sales is recognized at a point in time when control passes to the buyer. This generally occurs when the bullion has been physically transferred to the refiner and the Company has instructed the refiner to purchase the gold. This is the point in time when all performance obligations are satisfied. The transaction price is determined at transaction date.

FINANCIAL INSTRUMENTS

a) Fair value

The Company's financial instruments include cash, short-term investments, other receivables, marketable securities, accounts payable and accrued liabilities, the Sumitomo funding liability, the Credit Facility, the derivative liability, and the cash component of the deferred consideration for mineral property (December 31, 2020). The fair value hierarchy reflects the significance of inputs in making fair value measurements as follows:

- Level 1 – applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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

- Level 3 – applies to assets or liabilities for which there is unobservable market data.

The recorded amounts of cash, short-term investments, other receivables and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature. The cash component of the deferred consideration was initially recognized at fair value and is subsequently measured at amortized cost with the carrying value approximating fair value at reporting date, December 31, 2020. The Sumitomo funding liability and its related embedded derivatives are measured in their entirety as at FVTPL, except to the extent that the change in fair value is attributable to changes in credit risk of the Sumitomo funding liability in which case it is presented in other comprehensive income. The Credit Facility was initially recognized at fair value and is subsequently measured at amortized cost using the effective interest method. The derivative liability was initially recognized at fair value and is subsequently measured in its entirety at FVTPL.

Financial Instruments carried at fair value:

- The marketable securities and other receivables balances for listed shares are measured using Level 1 inputs. The fair value of marketable securities and other receivables are measured at the closing market price obtained from the Canadian Securities Exchange and the Australian Securities Exchange.

- The marketable securities balance for the Kalamazoo Warrants and the GBM Warrants is measured using Level 2 inputs. The fair value of the Kalamazoo Warrants and the GBM Warrants has been determined using a Black-Scholes option pricing model.

- The marketable securities balance held in E3D is measured using Level 3 inputs. The value of the shares held in E3D was determined using the last financing price of USD $2.50 used by E3D to raise funds for its operations. Changes to E3D's fair value per share can significantly affect the fair value estimates.

- The Sumitomo funding liability balance is measured using Level 3 inputs. At March 31, 2021, the fair value of the liability represented the contractual value that the Company would repay if Sumitomo were to exercise their Reimbursement Option (see Note 6 for further details). The fair value of the liability at December 31, 2020 was determined using a Binomial Option Pricing Model and a Monte Carlo simulation including the Company's share price of $2.38 and accompanying volatility of 83.26%, various interest rates (including AUD risk-free rates of 0.075% and US 3MLIBOR of 0.1965%), and the Company's estimated credit rating.

- The embedded derivative associated with the Credit Facility was measured using Level 3 inputs. The fair value of the derivative was determined by using a Black 76 model including accretion due to the passage of time, agreed repayment schedules, required interest payments, changes in the applicable interest rate (US three month LIBOR or 1%), and changes in the Company's credit spread.

Financial instruments carried at amortized cost:

- The Credit Facility is measured using Level 3 inputs. The carrying value of the Credit Facility was recognized using the effective interest rate method and was adjusted by the value of the derivative liability.

	Fair Value Hierarchy			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
As at March 31, 2021				
Financial assets at Fair Value				
Marketable securities	7,163	599	6,528	14,290
Other receivables	5,041	-	-	5,041
Financial Liabilities at Fair Value				
Sumitomo funding liability	-	-	5,909	5,909
Derivative liability	-	-	752	752
Total March 31, 2021	12,204	599	13,189	25,992
As at December 31, 2020				
Financial assets at Fair Value				
Marketable securities	10,373	1,787	6,610	18,770
Financial Liabilities at Fair Value				
Sumitomo funding liability	-	-	6,071	6,071
Derivative liability	-	-	984	984
Total December 31, 2020	10,373	1,787	13,665	25,825

	March 31, 2021 $'000	**December 31, 2020 $'000**
Reconciliation of the fair value measurement of Level 3 unlisted investments		
Opening balance	6,610	6,870
Remeasurement recognised through other comprehensive income	(82)	(260)
Closing balance	**6,528**	**6,610**

Reconciliation of the fair value measurement of Level 3 financial liabilities		
Opening balance	7,055	4,519
Purchases	-	2,074
Remeasurement recognised through profit and loss	(313)	124
Foreign currency translation adjustment	(81)	338
Closing balance	**6,661**	**7,055**

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

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and short-term investments. The Company limits its exposure to credit loss by placing its cash and short-term investments with high credit quality financial institutions, however these amounts are subject to credit risk. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

The Company's maximum exposure to credit risk for cash and short-term investments is the carrying amounts as per the statement of financial position.

c) Foreign exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk, primarily the United States and Australian dollars. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant company. The following table represents the impact of a +/- 5% change in the USD/CAD exchange rate on financial assets and liabilities denominated in US dollars for the period ended March 31, 2021:

US net monetary assets	$'000	5% Fluctuation Impact (CAD) $'000
Credit facility at amortised cost	35,111	2,208
Derivative liability at fair value	752	47
Sumitomo funding liability	5,000	314

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

d) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and its cash needs over the short term and over repayment dates into the future as it pertains to the Credit Facility. At March 31, 2021, the Company had cash of $20,801,000 (December 31, 2020 - $40,494,000) and short-term investments of $209,000, (December 31, 2020 - $195,000) to settle current liabilities of $30,928,000 (December 31, 2020 - $32,905,000). The Company has a practice of paying its outstanding payables within 30 days. The deferred consideration for mineral property was paid on January 25, 2021. The Sumitomo funding liability represents the contractual value that the Company would repay if Sumitomo were to exercise their Reimbursement Option. The Reimbursement Option is assumed to fall within one year considering Sumitomo can exercise the Reimbursement Option at any time (see note 6 Exploration and Evaluation Assets for further details).

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

As at March 31, 2021	Within 1year $'000	Within 1-2years $'000	Within 2-3years $'000	Within 3+years $'000	Total $'000
Trade and other payables	12,722	-	-	-	12,722
Leases	14,203	13,427	13,437	3,972	45,039
Sumitomo funding liability	5,909	-	-	-	5,909
Credit facility	3,194	11,845	19,301	9,021	43,361

As at December 31, 2020	Within 1year $'000	Within 1-2years $'000	Within 2-3years $'000	Within 3+years $'000	Total $'000
Trade and other payables	12,083	-	-	-	12,083
Leases	13,382	12,876	12,876	6,865	45,999
Sumitomo funding liability	6,071	-	-	-	6,071
Deferred consideration for mineral property	2,949	-	-	-	2,949
Credit facility	4,066	9,637	25,072	17,436	56,211

e) Price Risk

The Company is exposed to price risk with respect to commodity prices and its marketable securities. The Company's ability to raise capital is subject to risks associated with fluctuations in the market, including commodity prices. The Company's ability to recognize gains on liquidation of its marketable securities is subject to risks associated with fluctuations in the market prices of its marketable securities. At March 31, 2021 a 5% movement in the market value of marketable securities would have resulted in a movement of $685,000 (December 31, 2020: $849,000). For the period ended 31 March 2021, the Company did not enter or hold any commodity derivatives (December 31, 2020: $nil).

f) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at bank and term deposits carried at floating interest rates with reference to the market. The Company also has some exposure to interest rate risk with respect to the Credit Facility and associated derivative liability. The Company's operating cash flows are generally unaffected by changes in market interest rates unless the US 3-month LIBOR increases above 1%. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

The Company is exposed to cash flow interest rate risk due to the floating rate interest on the Credit Facility. For the period ended March 31, 2021, US 3-month LIBOR rate would need to increase by approximately 81 basis points before any additional interest would become payable on the Credit Facility.

Internal Controls over Financial Reporting

Management is responsible for the design of the Company's internal controls over financial reporting ("**ICFR**") as required by National Instrument 52-109–Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"). ICFR is intended to provide reasonable assurance regarding the preparation and presentation of material financial information for external purposes in accordance with applicable generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations. The Company's officers certify the design of Novo's ICFR using the Internal Control – Integrated Framework (2013) issued by The Committee for Sponsoring Organizations of the Treadway Commission. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes to the internal controls over financial reporting that occurred during Q1 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. However, even systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

Disclosure controls and processes have been designed to ensure that information required to be disclosed by Novo is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of March 31, 2021, that the disclosure controls and procedures are effective in providing reasonable assurance that material information related to Novo is made known to them by employees and third-party consultants working for Novo and its subsidiaries. There have been no significant changes in the Company's disclosure controls and procedures during Q1 2021. While Novo's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value (the "**Common Shares**"). All issued Common Shares are fully paid and non-assessable. As of May 14, 2021 the following Common Shares, Common Share purchase warrants (the "**Warrants**"), and stock options were issued and outstanding:

	Number of Shares	Exercise Price ($)	Expiry Date
Common Shares	233,711,504	-	-
Stock Options	1,600,000	0.94	August 15, 2021
Stock Options	1,750,000	0.95	June 5, 2022
Stock Options	2,125,000	1.57	July 18, 2022
Stock Options	2,125,000	7.70	October 20, 2022
Stock Options	950,000	3.47	January 30, 2023
Stock Options	410,000	4.60	June 5, 2023
Stock Options	6,125,000	3.57	January 6, 2025
Warrants	8,596,184	4.40	August 27, 2023
Warrants	8,853,427	4.40	September 7, 2023
Warrants	726,812	4.40	September 9, 2023
Warrants	1,328,295	4.40	September 14, 2023
Special Warrants[6]	10,353,000	-	-
Fully Diluted	**268,301,222**		

Risks Related to the Company

The operations of the Company are subject to significant uncertainty due to the high-risk nature of its business. The following risk factors could materially affect the Company's financial condition and/or future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

6 *Refer to the Company's news releases dated April 14, 2021, and May 4, 2021. The Special Warrants were issued pursuant to a special warrant indenture (the "**Special Warrant Indenture**") entered into by the Company and Olympia Trust Company as special warrant agent. Pursuant to the Special Warrant Indenture, each Special Warrant is convertible into one unit of the Company (each, a "**Unit**") without payment of any additional consideration. Each Unit consists of one Common Share and one-half of one Warrant, with each Warrant being exercisable to acquire one Common Share (each, a "**Warrant Share**") at an exercise price of $3.00 per Warrant Share until May 4, 2024.*

*The Special Warrants are exercisable by the holders thereof at any time. All unexercised Special Warrants shall be deemed exercised on behalf of, and without any required action on the part of, the holders (including payment of additional consideration) on the earlier of (the "**Qualification Date**"): (i) the third business day following the date on which a final receipt is obtained from the British Columbia Securities Commission, as principal regulator on behalf of the securities regulatory authorities in each of British Columbia, Alberta, and Ontario, for a (final) short form prospectus filed pursuant to National Instrument 44-101 Short Form Prospectus Distributions qualifying the distribution of the Common Shares and Warrants to be issued upon exercise of the Special Warrants; and (ii) 4:59 p.m. (Vancouver time) on September 5, 2021.*

In the event the Qualification Date has not occurred on or before June 15, 2021, each outstanding Special Warrant shall thereafter entitle the holder to receive, upon the exercise or deemed exercise of each Special Warrant, for no additional consideration, 1.1 Units.

Construction, Development, and Operation of Mines

The success of construction projects and the development and operation of any mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining and processing facilities, the timely receipt of assay results to guide selective mining operations, and the conduct of mining operations (including environmental permits), among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements of a mine could delay or prevent the planned construction, development, commissioning and continued operation of any mines. There can be no assurance that current or future construction, development and operational plans implemented by the Company will be successful, that the Company will be able to obtain sufficient funds to finance additional construction, development and operational activities, that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete such projects, that the Company will be able to obtain all necessary governmental approvals and permits or that the construction, development, commissioning and ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

The requirements for the production and processing of materials may be affected by, among other things, technological changes, equipment failure, the accuracy of assumptions regarding ground conditions, physical and metallurgical characteristics of ores and the accuracy of the estimated costs and rates of mining and processing. Mining, processing and development activities depend on adequate infrastructure. Reliable roads, bridges and power and water supply are important determinants that affect capital, processing and operating costs. The processing plant which comprises part of the production infrastructure held by Millennium, was previously operational before being placed on care and maintenance in December 2019. As of the date of this MD&A, the Company has refurbished and restarted the processing plant, however there can be no assurance that nameplate capacity and treatment rates will be as anticipated or that overall gold recovery will be as expected. Successful recommissioning and restart of the processing plant will also depend, among other things, on sufficient electricity and water supply, sufficient tailings storage facilities, compliance with existing permits, success in obtaining and complying with further additional environmental and other permitting requirements and on the timing of increased production at the Beatons Creek Project, none of which can be assured. Any of the foregoing risks may materially delay and adversely impact the Company's financial condition and results of operations.

The Company's properties have no operating history upon which to base estimates of future cash flow. The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. Thus, it is possible that actual costs may change significantly, and economic returns may differ materially from the Company's estimates.

Commercial viability of a new mine or development project is predicated on many factors. Mineral resources projected by technical assessments performed on the properties may not be realized, and the level of future metal prices needed to ensure commercial viability may not materialize. Consequently, there is a risk that the start-up of any mine and development project may be subject to write-down and/or closure as they may not be commercially viable.

No Prefeasibility or Feasibility Study for the Beatons Creek Project

The Board has ratified management's recommendation to mine the Beatons Creek Project. The Company is currently in the late stages of commissioning the Golden Eagle Mill and continues to increase mining and production. The decision by the Company to produce at the Beatons Creek Project was not based on a pre-feasibility or feasibility study and no mineral reserves demonstrating economic and technical viability has been defined for the project. As a result, there is an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability.

The Company has published the PEA in respect of the Beatons Creek Project. The PEA is preliminary in nature, and is based on a mineral resource estimate that includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized.

Permitting and License Risks

In the ordinary course of business, the Company will be required to obtain and renew governmental licences or permits for the operation and expansion of the Beatons Creek Project or for the development, construction and commencement of mining at any of the Company's mineral resource properties, including the Beatons Creek Project. Obtaining or renewing the necessary governmental licences or permits is a complex and time-consuming process involving numerous jurisdictions involving public hearings and costly permitting and other legal undertakings on the part of the Company.

In Australia, as with many jurisdictions, there are various federal, state and local laws governing land, power and water use, the protection of the environment, development, occupational health and safety, waste disposal and appropriate handling of toxic substances. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and require the Company to obtain permits from various governmental agencies. Exploration generally requires one form of permit while development and production operations require additional permits. There can be no assurance that all permits which the Company may require for future exploration or development will be obtainable at all or on reasonable terms. In addition, future changes in applicable laws or regulations could result in changes in legal requirements or in the terms of existing permits applicable to the Company or its properties. This could have a negative effect on the Company's exploration activities or the Company's ability to develop its properties.

The duration and success of the Company's efforts to obtain and renew licences or permits are contingent upon many variables not within the Company's control, including the interpretation of applicable requirements implemented by the licensing authority. The Company may not be able (and no assurances can be given with respect to its ability) to obtain or renew licences or permits that are necessary to operations at the Company's property interests, including, without limitation, an exploitation or operations licence, or the cost to obtain or renew licences or permits may exceed what the Company believes can be recovered from its property interests if they are put into production. Any unexpected refusals of required licences or permits or delays or costs associated with the licensing or permitting process could prevent or delay the development or impede the operation of a mine, which could adversely impact the Company's operations and profitability.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or other remedial actions.

While the Company can foresee no reason why it may not receive all necessary permits, there can be no assurance that all permits which the Company may require for future exploration or possible future development will be obtainable at all or on reasonable terms. The Company also cannot be certain what conditions will be attached to such permits and licences or whether the Company will be able to fulfil such conditions. Further, any additional future laws and regulations, changes to existing laws and regulations (including, but not restricted to, the imposition of higher licence fees, mining royalties or taxes) or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities, or of rulings or clearances obtained from such governmental authorities, could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on, or suspensions of, the Company's operations and cause delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damage to or destruction of properties and injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions.

The occurrence of any of these factors may have a material adverse effect on the Company's business, results of operations and financial condition and the price of the Common Shares.

Dependence on Future Financing

Although the Company believes that it currently has sufficient funding for its planned operations at its Beatons Creek Project and other properties, there can be no assurance that the Company will have the funds required to carry out all of its business plans or that those expenditures will prove profitable. Obtaining additional financing would be subject to a number of factors, including market prices for minerals and commodities, investor acceptance of the Company's properties and investor sentiment. These factors may make the timing, amount, terms or conditions of additional financing unavailable to the Company. The most likely source of future funds presently available to the Company is through equity or debt financings. Any sale of share capital will result in dilution to existing shareholders.

Dependence on Key Management Personnel

The Company is dependent upon a number of key management personnel. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel. The loss of the services of one or more key employees or consultants or the failure to attract and retain new personnel could have a material adverse effect on the Company's ability to manage and expand the Company's business.

COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020.

Other than an approximate six-week suspension of exploration activities, the Company has not experienced a significant impact on its business to date; however, there is no assurance that this will continue given the ongoing global situation. The outbreak and the response of various governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and financial markets worldwide, including the Company's operations and the operations of the companies in which the Company has invested. Restrictions on travel and the limited ability to have meetings with personnel, vendors and service providers may have an adverse effect on the Company's operations. The scale and duration of these developments remain uncertain as at the date of this MD&A, but they may have an impact on the Company's future cash flows. The Company notes that the value of certain assets, in particular the fair value of marketable securities recorded in the statement of financial position in the Company's Annual Financial Statements, determined by reference to fair or market values at December 31, 2020, may have materially changed by the date of this MD&A.

The COVID-19 pandemic, including without limitation, the occurrence of new variants of the virus, has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. It is not possible to estimate the impact of the outbreak's near-term and longer-term effects or governments' varying efforts to combat the outbreak and support businesses. There can be no assurance that conditions in the global financial markets will not continue to deteriorate as a result of the pandemic, or that the Company's access to capital and other sources of funding will not become constrained, all of which could adversely affect the availability and terms of any future financings the Company undertakes.

Risks Related to the amended Credit Facility and Indebtedness

The amended Credit Facility has usual and customary covenants to keep the facility in good standing, including, but not limited to, repayment of the principal advanced thereunder and accrued interest, maintenance and provision of regular and up-to-date financial reports, compliance with all applicable laws and applicable securities legislation, obligation to provide notice of material events, and obligation to maintain secured assets and insurance thereon. The amended Credit Facility also contains restrictive covenants that will limit the Company's ability to engage in activities that may be in the Company's long-term best interest. If the Company defaults in respect of its obligations under the amended Credit Facility, it may lose the shares of certain of its international subsidiaries (which are pledged as collateral under the amended Credit Facility) and other property securing its obligations under the amended Credit Facility, which would have a material effect on the Company's operations. The Company has currently fully drawn down on the first tranche, and partially drawn down on the second tranche under the amended Credit Facility. To the extent the Company draws down the additional amounts under the second tranche or incurs other additional debt, the risks related to the Company's indebtedness could increase.

The Company's level of indebtedness and the terms thereof will have several important effects on its future operations, including, without limitation, that it:

- will require the Company to dedicate a portion of its cash flow from operations, if any, and under the terms of the amended Credit Facility other proceeds from divestitures, financings and insurance claims, to the payment of principal and interest on the Company's outstanding indebtedness, thereby reducing the funds available to it for operations and any future business opportunities;

- could increase the Company's vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure;

- could decrease the Company's flexibility in planning for and reacting to changes in the industry in which it competes and place the Company at a disadvantage compared to other, less leveraged competitors; and

- depending on the levels of its outstanding debt, could increase the Company's cost of borrowing and/or limit the Company's ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes or require the Company to make other divestitures.

The Company's ability to make payments of principal and interest on its indebtedness depends upon the Company's financial condition, operating performance and expected future revenues, will be subject to prevailing economic conditions, competitive conditions, changes in the applicable interest rate, industry cycles and financial, business, legislative, regulatory and other factors affecting its operations, many of which are beyond the Company's control. If the Company's revenues are insufficient to, or the Company cannot raise sufficient funds to, meet its debt service and other obligations in the future, the Company could face substantial liquidity problems and may be required, among other things, to:

- reduce or delay investments and other capital expenditures;
- obtain additional financing in the debt or equity markets;
- refinance or restructure all or a portion of its indebtedness; and/or
- sell selected assets.

The Company cannot provide assurance that such measures will be sufficient to enable the Company to service its debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favourable terms or at all. Any of the foregoing may have a material and adverse effect on the Company's financial condition and results of operations.

Obligations as a Public Company

The Company's business is subject to evolving corporate governance and public disclosure regulations that may from time to time increase both the Company's compliance costs and the risk of non-compliance, which could adversely impact the price of the Common Shares.

The Company is subject to changing securities laws and to rules and regulations promulgated by a number of governmental and self-regulated organizations having jurisdiction over the Company, including, but not limited to, the TSX and the International Accounting Standards Board. These laws and regulations continue to evolve in scope and complexity creating many new requirements. The Company's efforts to comply with the same could result in increased general and administration expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Market Price of Securities

Over the last several years, the securities of many junior resource companies have experienced a high level of price and volume volatility and wide fluctuations in market price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments locally and globally and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in market prices will not occur.

As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the Company's long-term value. In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of the Company.

The Speculative Nature of the Exploration of Natural Resource Properties

While the discovery of a commercially viable ore body may result in substantial rewards, few mineral properties that are explored are ultimately developed into producing mines. There is no assurance that any of the claims the Company will explore or acquire will contain commercially exploitable reserves of minerals. Exploration for natural resources is a speculative venture involving substantial risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. Hazards such as unusual or unexpected geological formations, formation pressures, cyclones, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. While appropriate precautions to mitigate these risks have been taken or are planned to be taken, operations are subject to hazards such as equipment failure or failure of structures which may result in environmental pollution and consequent liability. Even though the Company intends to maintain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Reclamation Costs

In the context of environmental permits, including the approval of reclamation plans, the Company must comply with standards, laws and regulations that may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the regulatory authority. The reclamation liability on any of the Company's properties will be calculated based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its exploration or operating mine sites. The Company may incur costs associated with reclamation activities, which may materially exceed the provisions established by the Company for the activities. In addition, possible additional future regulatory requirements may require additional reclamation requirements creating uncertainties related to future reclamation costs. Should the Company be unable to post required financial assurance related to an environmental remediation obligation, the Company might be prohibited from starting planned operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect. Furthermore, changes to the amount of financial assurance that the Company is required to post, as well as the nature of the collateral to be provided, could significantly increase the Company's costs, making the maintenance and development of new mines less economically feasible.

Although the Company has currently made provisions for certain of its reclamation obligations and is assessing provisions for the reclamation obligations from other properties, there is no assurance that these provisions will be adequate in the future. The provision required is expected to increase significantly through negotiation with regulatory authorities as the Beatons Creek Project is further operated and developed. There can be no guarantee that the Company will have sufficient capital resources to cover the costs of reclamation when they become due and payable. The Company is currently engaged in discussions with the Department of Mines, Industry Regulation, and Safety and the Department of Water and Environmental Regulation, in Western Australia, with respect to its closure plan for the Beatons Creek Project, to account for any future changes to the site through production. Only an initial amount has been determined as at the date hereof. Failure to provide regulatory authorities with the required information could potentially result in the closure of the Company's operations, which could result in a material adverse effect on its operating results and financial condition.

Nature and Climatic Conditions

The Company has properties located in Western Australia, Australia. Typically, the Western Australian's tropical wet season is from the end of November to the end of March. During the wet season, the properties may be subject to unpredictable weather conditions such as cyclones, heavy rains, strong winds and flash flooding. The Company has undertaken several steps to minimize the effects of the wet season on its operations including planning exploration and mining activities around the wet season. Nonetheless, no assurance can be given that the unpredictable weather conditions will not adversely affect exploration activities. In particular, haulage, bulk sampling and exploration activities may be suspended due to poor ground conditions.

Information Technology

The Company is reliant on the continuous and uninterrupted operations of its information technology ("**IT**") systems. User access and security of all IT systems are critical elements to the operations of the Company. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions on the part of the Company's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Although, to date, the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including: adverse environmental conditions; industrial accidents; unusual or unexpected geological conditions; ground failures; changes in the regulatory environment; and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties, personal injury or death, environmental damage to the Company's properties or the properties of others, monetary losses and possible legal liability.

The businesses and properties of the Company are insured against loss or damage, subject to a number of limitations and qualifications. Such insurance will not cover all the potential risks associated with an exploration company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to the Company or to other companies in the exploration industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that it may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. The Company may suffer a material adverse effect on its business, results of operations, and financial position if it incurs a material loss related to any significant event that is not covered, or adequately covered, by its insurance policies.

Dependence on Principal Exploration Stage Projects

The Company currently carries out exploration activities on several properties, but is focused on the Egina and Karratha properties. These properties may never develop into commercially viable deposits, which would have a material adverse effect on the Company's potential mineral resource production, profitability, financial performance and results of operation.

Previous Work on the Egina, Beatons Creek, and Karratha Properties May Give Rise to Environmental Liabilities

There can be no assurance that historic (prior to the Company's ownership) activities on the Egina, Beatons Creek, and Karratha Properties, as well as on tenements held by Millennium, were conducted in full compliance with the various government and environmental regulations required under the Australian mining regime. To the extent that any of the activities were not in compliance with applicable environmental laws, regulations and permitting requirements, enforcement actions thereunder, including orders of regulatory or judicial authorities, may be taken against the Company as a result of its interest in the Egina, Beatons Creek, and Karratha Properties, and on tenements held by Millennium. Any such actions or orders may cause increases in expenses, capital expenditures or production costs or reduction in levels of production, or require abandonment or delays.

Negative Operating Cash Flow

The Company has incurred losses since inception and expects to continue to incur losses as it proceeds with exploration and development of its mineral properties. The Company's efforts to date have been focused on acquiring and exploring its mineral properties. All but one of the Company's properties are in the exploration stage and none have mineral reserves.

The Company has only recently begun the production of gold and silver from its Beatons Creek Project (which has not yet reached commercial production) and has significant cash requirements to meet its exploration and development commitments and administrative overhead, and to maintain its mineral interests. The Company expects to continue to incur losses until the Beatons Creek Project enters into commercial production and generates sufficient revenue to fund continuing operations. There can be no assurance that the Beatons Creek Project will enter into commercial production or that once in commercial production, problems will not be encountered that result in mining operations not being profitable. If this occurs, additional funds will need to be raised.

Uncertainty in Global Markets and Economic Conditions

There remains considerable volatility in global markets and economic conditions together with the volatility in the price of gold. This continues to generate uncertainty for the mining sector worldwide and there has been a decrease in access to capital for exploration and development activities.

As discussed above, the Company has and will continue to rely on the capital markets for necessary capital expenditures. As a result, the business, financial condition and operations of the Company could be adversely affected by: (i) continued disruption and volatility in financial markets; (ii) continued capital and liquidity concerns regarding financial institutions generally and hindering the Company's counterparties specifically; (iii) limitations resulting from governmental action in an effort to stabilize or provide additional regulation of the financial system; or (iv) recessionary conditions that are deeper or last longer than currently anticipated.

Price of Gold

The Company's profitability and long-term viability depend, in large part, upon the market price of gold. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global and regional supply and demand for industrial products containing metals generally; changes in global or regional investment or consumption patterns; increased production due to new mine developments and improved mining and production methods; decreased production due to mine closures; interest rates and interest rate expectation; expectations with respect to the rate of inflation or deflation; currency rate fluctuations; availability and costs of metal substitutes; global or regional political or economic conditions; and sales by central banks, holders, speculators and other producers of metals in response to any of the above factors.

There can be no assurance that metal prices will remain at current levels or that such prices will improve. A decrease in the market prices could adversely affect the profitability of the Company's existing mines and projects as well as its ability to finance the exploration and development of additional properties, which would have a material adverse effect on the Company's results of operations, cash flows and financial position. A decline in metal prices may require the Company to write-down mineral resource estimates (or mineral reserve estimates if ever established in the future), which could result in material write-downs of investments in mining properties. Further, if revenue from metal sales declines, the Company may experience liquidity difficulties. Its cash flow from mining operations may be insufficient to meet its operating needs, and as a result the Company could be forced to discontinue production and could lose its interest in, or be forced to sell, some or all of its properties.

Joint Ventures

The Company is and will be subject to the risks normally associated with the conduct of joint ventures, which include disagreements as to how to develop, operate and finance a project, inequality of bargaining power, incompatible strategic and economic objectives and possible litigation between the participants regarding joint venture matters. These matters may have an adverse effect on the Company's ability to realize the full economic benefits of its interest in the property that is the subject of a joint venture, which could affect its results of operations and financial condition as well as the price of the Company's Common Shares.

Permits

The Company's current and anticipated future operations, including further exploration and development activities and commencement of production on the Company's properties, require permits from various governmental authorities. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits, including the amount and timing of financial assurance obligations required, could have a material adverse impact on the Company. Any changes or delays to the Egina, Beatons Creek, and Karratha Properties will cause the Company additional expense. There can be no assurance that any such additional permits that the Company requires will be obtainable on reasonable terms, or at all. Further, there may be appeals of issued permits which may delay and/or prevent construction or operation during the appeal process and there can be no assurance that an appeal would be resolved in a timely manner or in the Company's favour.

Danger of Exploration and Development Activities

Exploration and development activities involve various types of risks and hazards, including:

- environmental hazards;
- industrial accidents;
- metallurgical and other processing problems;
- unusual or unexpected rock formations;
- structural cave-ins or slides;
- flooding and fires; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties or other properties; personal injury; environmental damage; delays in activities; monetary losses; and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Exploration and Mining Tenements May be Subject to Forfeiture

The Australian title registration system provides for application for forfeiture of exploration and mining licences where there is, or has been, non-compliance with the prescribed royalties, rents or expenditure conditions. Forfeiture may occur in one of a number of ways. A third party may file a plaint (an application for forfeiture) with the mining warden, who may (in the case of prospecting or miscellaneous licences) elect to forfeit the tenement or impose a fine not exceeding AUD $10,000 for non-compliance with expenditure conditions and not exceeding AUD $50,000 in any other case, or (in the case of exploration licences, mining and general purpose leases) make a recommendation to the Minister for Mines and Petroleum; Energy; Industrial Relations (the "**Minister**") for or against forfeiture.

In the latter case, the Minister may decide to forfeit the tenement, impose a fine not exceeding AUD $50,000 per tenement, or impose no penalty. A tenement may not be forfeited or recommended for forfeiture unless non-compliance is of sufficient gravity to justify forfeiture. Alternatively, the Minister may himself institute forfeiture measures where non-compliance has occurred (or impose a fine not exceeding AUD $50,000 per tenement which, if unpaid, results in deemed forfeiture).

Uncertainty in the Estimation of Mineral Resources and Mineral Reserves

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Company's publicly disclosed mineral resource figures contained in this MD&A are estimates only and no assurance can be given that these will ever be upgraded to higher categories of mineral resources or to mineral reserves. Even if mineral reserves are established in the future, there is no assurance that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves will be mined or processed profitably. Actual mineral resources may not conform to geological, metallurgical or other expectations, and the volume and grade of mineralized material recovered may differ from estimated levels. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Company's mineral resources (and mineral reserves if ever established in the future), such as the need for orderly development of the mineralized material or the processing of new or different mineralized material grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of mineral resource estimates from time to time or may render the Company's mineral resource uneconomic to exploit. Mineral resource data is not indicative of future results of operations. If the Company's actual mineral resources (and mineral reserves if ever established in the future) are less than current estimates or if the Company fails to develop its mineral resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of mineral resources occurs from time to time and estimates of mineral resources (and mineral reserves if ever established in the future) may change depending on further geological interpretation, drilling results and metal prices, which could have a negative effect on the Company's operations. The category of inferred mineral resource is the least reliable mineral resource category and is subject to the most variability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to an indicated or measured mineral resource category as a result of continued exploration. There is no certainty that any mineral resources (or mineral reserves, if any) identified on any of the Company's properties will in fact be realized or will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Until a deposit is actually mined and processed, the quantity of mineral resources (or mineral reserves, if any) and grade must be considered as estimates only and the Company may ultimately never realize production on any of its properties.

Government Regulation

The Company's business, mining operations and exploration and development activities are subject to extensive federal, territorial and local laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection of the environment, reclamation, historic and cultural resource preservation, mine safety and occupational health, control of toxic substances, reporting and other matters. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, new rules and regulations may be enacted and existing rules and regulations may be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of exploration and mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk. Further, damage to the Company's reputation can be the result of the perceived or actual occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easy for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not. While the Company strives to uphold and maintain a positive image and reputation, the Company does not ultimately have control over how it is perceived by others. Reputation loss may lead to increased challenges in developing, maintaining community relations and advancing its projects and decreased investor confidence, all of which may have a material adverse impact on the financial performance and growth of the Company.

Native Title and Aboriginal Heritage

Native title claims and Aboriginal heritage issues may affect the ability of the Company to pursue exploration, development and mining on Australian properties. Although to date the Company has been able to negotiate commercially reasonable and acceptable arrangements with Aboriginal title claimants, Aboriginal title holders, and land owners where the Company operates, there can be no assurance that claims will not be lodged in the future, including upon expiry of current mining leases, which may impact the Company's ability to effectively operate in relevant geographic areas. The resolution of native title and Aboriginal heritage issues is an integral part of exploration and mining operations in Australia and the Company is committed to managing any issues that may arise effectively. However, in view of the inherent legal and factual uncertainties relating to such issues, no assurance can be given that material adverse consequences will not arise.

Competition

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself. Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Currency Fluctuations

Currency fluctuations may affect the Company's capital costs and the costs that the Company incurs at its operations. Gold is sold throughout the world based principally on a United States dollar price, but most of the Company's operating and capital expenses are incurred in Australian and Canadian dollars. Changes in these foreign currencies could materially and adversely affect the Company's profitability, results of operations and financial position.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or one or more of its subsidiaries in the future from time to time or the Company or one or more of its subsidiaries may be subject to another form of litigation. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. As of the date hereof, no claims have been brought against the Company, nor has the Company received an indication that any claims are forthcoming. However, due to the inherent uncertainty of the litigation process, should a claim be brought against the Company, the process of defending such claims could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or one or more of its subsidiaries may become subject could have a material adverse effect on the Company's financial position and results of operations.

Enforcement of Civil Liabilities

Substantially all of the Company's assets are located outside of Canada and certain of the directors and officers of the Company are or may be resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the Company's directors and officers residing outside of Canada.

No Cash Dividends on Common Shares

Shareholders should not anticipate receiving cash dividends on the Common Shares. The Company has never declared or paid any cash dividends or distributions on the Common Shares. It is currently expected that the Company will retain future earnings, if any, to support operations and to finance explorations and therefore not pay any cash dividends on the Common Shares in the foreseeable future.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the Company's directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Business Corporations Act* (British Columbia) and any other applicable law.