



NOVO RESOURCES CORP.

(TSX: NVO; OTCQX: NSRPF)

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

(Expressed in Canadian Dollars)



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the Shareholders of Novo Resources Corp.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Novo Resources Corp (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of profit or loss and other comprehensive income/(loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and December 31, 2021 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Impairment assessment of Beatons Creek cash generating unit ("CGU")

Why significant

IAS 36 *Impairment of Assets* ("IAS 36") requires an entity to assess at each reporting date whether there is any indication that an asset or CGU may be impaired. If any such indicators exist, the Group must estimate the recoverable amount of the applicable asset or CGU.

The Group concluded that indicators of impairment were present for the Beatons Creek CGU at December 31, 2022.

As a result, the Group estimated the recoverable amount of the non-current assets within the Beatons Creek CGU on a fair value less costs of disposal ("FVLCD") basis and recognised an impairment expense of \$48.1 million in the consolidated statement of profit or loss for the year ended December 31, 2022 to impair the non-current assets to their estimated recoverable amount (refer to notes 7 and 20 to the consolidated financial statements).

How our audit addressed the key audit matter

We evaluated the Group's assessment of the presence of any indicators of impairment for the Beatons Creek CGU. Our audit procedures included:

- ▶ Reviewing management's assessment as to whether indicators of impairment, as described in IAS 36, were present. This included comparison of the Group's consolidated net assets to its market capitalisation as well as reading operational and board reports, minutes and market announcements.

As indicators of impairment were identified for the Beatons Creek CGU, we assessed the reasonableness of the Group's impairment assessment process. Our audit procedures included the following:

- ▶ Obtained an understanding of management's impairment assessment process and considered the reasonableness of the methodologies used in the determination of the FVLCD of the Beatons Creek CGU and whether these were in accordance with IAS 36.

Why significant

We consider this to be a key audit matter because of the:

- ▶ Significant judgment involved in determining whether indicators of impairment were present and,
- ▶ Significant judgment and estimates involved in the determination of the recoverable amount of the non-current assets applicable to the Beatons Creek CGU.

How our audit addressed the key audit matter

- ▶ For the estimated recoverable amounts for property, plant and equipment determined by external experts, we involved our capital equipment specialists to assess the valuation reports provided by the experts including assessing the:
 - ▶ Qualifications, independence and objectivity of the experts
 - ▶ Valuation methodology adopted (including assumptions used).
- ▶ Recalculated the impairment charge for the Beatons Creek CGU after comparing the carrying amount of its non-current assets to their calculated recoverable amount
- ▶ Reviewed the adequacy of the Group's disclosures in the consolidated financial statements.

2. Carrying amount of capitalised exploration and evaluation ("E&E") assets

Why significant

As disclosed in Note 6 to the consolidated financial statements, the Group held E&E assets of \$152.5 million as at December 31, 2022, representing 63% of the Group's total assets.

The carrying amount of E&E assets is assessed for impairment, in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*, by the Group when facts and circumstances indicate that the carrying amount of E&E assets may exceed its recoverable amount.

How our audit addressed the key audit matter

We evaluated the Group's assessment as to whether there were any indicators of impairment to require the carrying amount of E&E assets to be tested for impairment. Our audit procedures included the following:

- ▶ Assessed whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements.
- ▶ Assessed the Group's intention to carry out ongoing E&E activities in the relevant areas of interest which included reviewing the Group's approved cash flow forecast and enquiring of the directors as to their intentions and the strategy of the Group.

Why significant

The determination as to whether there are any indicators to require the E&E assets to be assessed for impairment involves a number of judgments, including whether the Group has the right to explore in the specific area of interest, whether substantive ongoing expenditure is planned or budgeted and whether sufficient information exists to indicate that the carrying amount of the E&E asset is unlikely to be recovered. The directors did not identify any impairment indicators at December 31, 2022.

This was considered a key audit matter because of the size of E&E assets relative to the Group's total assets and the significant judgement involved in determining whether indicators of impairment were present.

How our audit addressed the key audit matter

- ▶ Assessed whether E&E data existed to indicate that the carrying value of capitalised E&E assets was unlikely to be recovered through development or sale.
- ▶ Reviewed the adequacy of the Group's disclosures in the consolidated financial statements.

3. Provision for closure and reclamation

Why significant

As a consequence of its mining operations, the Group is obligated under the Mining Act 1978 (WA) to restore and rehabilitate its mines sites at the end of their estimated mine lives. As at December 31, 2022 the Group's consolidated statement of financial position included a provision for closure and reclamation of \$41.9 million in respect of these obligations (refer to Note 13 of the consolidated financial statements).

This was considered a key audit matter because estimating the provision associated with these obligations requires significant judgment in relation to when the activities will take place, the costs associated with the activities and the economic assumptions relating to inflation and discount rates used to determine the provision amount.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the qualifications, competence, independence and objectivity of the Group's external and internal experts who were involved in the determination of the Group's rehabilitation cost estimates.
- ▶ With the involvement of our subject matter experts we assessed the reasonableness of management's rehabilitation cost estimates.
- ▶ Assessed the appropriateness of the estimated timing of when the rehabilitation activities were forecast to be undertaken, the related cash flows to be incurred and the resultant inflation and discount rate assumptions used in determining the provision for closure and reclamation, having

Why significant

How our audit addressed the key audit matter

regard to available economic data relating to future inflation and discount rates.

- ▶ Tested the mathematical accuracy of the calculation of the provision.
- ▶ Considered the appropriateness of the accounting for the changes in the provision.
- ▶ Evaluated the adequacy of the Group's disclosures relating to rehabilitation obligations.

Other Information

Other information consists of the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Pierre Dreyer.



Chartered Accountants
Perth, Western Australia
March 28, 2023

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

		December 31, 2022 \$'000	December 31, 2021 \$'000
	Note		
ASSETS			
Current assets			
Cash		47,925	32,345
Short-term investments		152	108
Inventory	3	4,642	9,646
Receivables	4	2,587	6,127
Prepaid expenses and deposits		1,121	1,159
Total current assets		56,427	49,385
Non-current assets			
Marketable securities	5	20,701	156,209
Exploration and evaluation assets	6	152,477	149,928
Property, plant and equipment	7	15,632	74,337
Right of use assets	8	6,518	25,778
Mine development assets	9	4,305	6,968
Gold specimens		101	77
Total non-current assets		199,734	413,297
Total assets		256,161	462,682
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	6,252	16,894
Provisions	10	6,113	2,911
Lease liabilities	11	4,314	12,453
Credit facility	12	-	6,339
Sumitomo funding liability	14	-	5,780
Sumitomo written call option	14	-	1,083
Tax payable	5	6,053	-
Total current liabilities		22,732	45,460
Non-current liabilities			
Lease liabilities	11	2,284	18,530
Credit facility	12	-	37,384
Derivative liability	12	-	378
Rehabilitation provision	13	41,935	36,342
Deferred tax liability	23	1,242	10,326
Total non-current liabilities		45,461	102,960
Total liabilities		68,193	148,420
SHAREHOLDERS' EQUITY			
Share capital	15	396,819	388,781
Reserves	15	60,131	57,445
Accumulated other comprehensive gain	15	(5,628)	25,972
Accumulated deficit		(263,354)	(157,936)
Total shareholders' equity		187,968	314,262
Total shareholders' equity and liabilities		256,161	462,682

These consolidated financial statements are authorized for issue by the Board of Directors on March 28, 2023. They are signed on the Company's behalf by:

"Ross Hamilton"

Ross Hamilton

"Michael Barrett"

Michael Barrett

Novo Resources Corp.

(Expressed in Canadian Dollars)

Consolidated Statements of Profit or Loss and Other Comprehensive Income / (Loss)

		Year ending December 31	
		2022 \$'000	2021 \$'000
Revenue	16	92,043	112,243
Cost of goods sold	17	(115,679)	(110,767)
Gross (loss) / profit from mine operations		(23,636)	1,476
General administration	18	(14,766)	(25,094)
Exploration expenditure	19	(33,104)	(12,118)
Care and maintenance costs		(2,632)	-
Impairment of non-current assets	20	(48,064)	(46,905)
Profit on disposal of exploration asset	6	-	14,472
Loss from operations		(122,202)	(68,169)
Other income, net	21	23,665	90,947
Finance items			
Finance income	22	967	91
Finance costs	22	(9,060)	(16,428)
Net (loss) / income for the period before tax		(106,630)	6,441
Income tax benefit / (expense)	23	1,212	(7,145)
Net loss for the period after tax		(105,418)	(704)
Other comprehensive income / (loss)			
Change in fair value of marketable securities, net of tax - not to be reclassified to profit or loss in subsequent periods	15	(29,981)	34,341
Foreign exchange on translation of subsidiaries - to be reclassified to profit or loss in subsequent periods	15	(1,619)	(14,696)
Total other comprehensive (loss)/ income		(31,600)	19,645
Comprehensive (loss) / profit for the year		(137,018)	18,941
Weighted average number of common shares outstanding		248,630,209	239,822,300
Basic and diluted loss per common share (\$ per share)		(0.42)	(0.00)

Novo Resources Corp.
(Expressed in Canadian Dollars)
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021

	Note	Number of Shares (unrounded)	Share Capital Amount \$'000	Shares to be issued \$'000	Treasury Shares \$'000	Option Reserve \$'000	Warrant Reserve \$'000	Comet Well Deferred Consideration Reserve \$'000	Fair value reserve of financial assets at FVTOCI \$'000	Foreign currency translation reserve \$'000	Accumulated Deficit \$'000	Shareholders' Equity \$'000
Balance – December 31, 2020		230,353,507	347,166	-	(2,571)	31,137	16,293	3,354	6,028	299	(157,232)	244,474
Other comprehensive profit / (loss) for the period		-	-	-	-	-	-	-	34,341	(14,696)	-	19,645
Loss for the period		-	-	-	-	-	-	-	-	-	(704)	(704)
Comprehensive profit / (loss) for the period		-	-	-	-	-	-	-	34,341	(14,696)	(704)	18,941
Stock option exercises	15	1,875,000	1,968	-	-	-	-	-	-	-	-	1,968
Share-based payments	15 & 18	-	-	-	-	10,015	-	-	-	-	-	10,015
Queens project share issuance	6	584,215	1,875	-	-	-	-	-	-	-	-	1,875
Comet Well share issuance	6	1,198,395	3,354	-	-	-	-	(3,354)	-	-	-	-
Malmsbury project share issuance	6	1,575,387	3,450	-	-	-	-	-	-	-	-	3,450
Movement in treasury shares - Investment in associate		-	-	-	2,571	-	-	-	-	-	-	2,571
Conversion of special warrants	15	10,353,000	31,027	-	-	-	-	-	-	-	-	31,027
Share issue costs	15	-	(59)	-	-	-	-	-	-	-	-	(59)
Balance – December 31, 2021		245,939,504	388,781	-	-	41,152	16,293	-	40,369	(14,397)	(157,936)	314,262
Other comprehensive loss for the period		-	-	-	-	-	-	-	(29,981)	(1,619)	-	(31,600)
Loss for the period		-	-	-	-	-	-	-	-	-	(105,418)	(105,418)
Comprehensive loss for the period		-	-	-	-	-	-	-	(29,981)	(1,619)	(105,418)	(137,018)
Share-based payments	15 & 18	-	-	-	-	2,564	-	-	-	-	-	2,564
Share issuance - Sumitomo conversion of Egina project interest to equity	14	3,382,550	3,180	-	-	-	-	-	-	-	-	3,180
Equity financing - Liatam Mining Pty Ltd	15 & 18	12,820,512	5,000	-	-	-	-	-	-	-	-	5,000
Share issue costs		-	(350)	-	-	-	66	-	-	-	-	(284)
Shares issued pursuant to stock option & stock bonus plan	15	944,362	208	56	-	-	-	-	-	-	-	264
Balance – December 31 2022		263,086,928	396,819	56	-	43,716	16,359	-	10,388	(16,016)	(263,354)	187,968

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

		Year ending December 31	
		2022	2021
	Note	\$'000	\$'000
Operating activities			
Net (loss) / profit for the period		(106,630)	6,441
Adjustments:			
Finance income	22	(967)	(91)
Finance costs	22	7,703	13,335
Depreciation - fixed assets and mine development asset	7 & 9	20,644	13,506
Depreciation - right of use assets	8	5,195	13,030
Impairment of non current assets	20	48,065	46,905
Impairment of exploration expenditure		-	177
Foreign exchange		897	(11,321)
Share-based payments	18	2,828	10,015
Share of profit in associate		-	(3,951)
Other income		(1,083)	-
Profit on sale of assets		-	(2,602)
Profit on sale of tenements	6	-	(14,472)
Change in fair value of derivative asset	21	(22,275)	-
Other income on derecognition of associate		-	(85,636)
Change in fair value of marketable securities	5	290	(1,403)
Total non-cash adjustments		61,297	(22,508)
Changes in non-cash operating working capital:			
Accounts payable and accrued liabilities		(7,360)	11,369
Prepaid expenses and deposits		37	(516)
Receivables		3,540	(4,321)
Inventory		5,005	(5,807)
		1,222	725
Interest income		967	91
Interest paid	12	(3,042)	(4,405)
Net cash used in operating activities		(46,186)	(19,656)
Investing activities			
Purchase of property, plant and equipment	7	(4,978)	(16,765)
Payments for mine development	9	(754)	(8,670)
Proceeds from sale of exploration assets	6	-	9,232
Proceeds from sale of marketable securities	5	125,925	10,358
Acquisition of exploration and evaluation assets	6	(500)	(1,912)
Net cash generated from / (used in) investing activities		119,693	(7,757)
Financing activities			
(Repayment of) / proceeds from credit facility	12	(51,110)	6,288
Credit facility transaction costs	12	-	(135)
Payment of Comet Well deferred consideration	6	-	(2,946)
Issuance of shares pursuant to stock option exercises	15	-	1,967
Issuance of special warrants	15	-	26,400
Issuance of shares - Liatam Mining	15	5,000	-
Share issue costs	15	(265)	(59)
Payment of principal portion of lease liabilities	11	(11,832)	(11,889)
Repayment of Sumitomo funding	14	342	-
Net cash (used in) / generated from financing activities		(57,865)	19,626
Net change in cash		15,642	(7,787)
Effect of exchange rate changes on cash		(62)	(362)
Cash, beginning of the period		32,345	40,494
Cash, end of the period		47,925	32,345

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

1. NATURE OF OPERATIONS

Novo Resources Corp. (individually, or collectively with its subsidiaries, as applicable, the “Company” or “Novo”) was incorporated on October 28, 2009 pursuant to the provisions of the *Business Corporations Act* (British Columbia) as Galliard Resources Corp. On June 27, 2011, the Company changed its name from Galliard Resources Corp. to Novo Resources Corp. The Company also registered as a foreign company with the Australian Securities & Investments Commission on January 13, 2023. The Company’s common 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. The Company’s Canadian registered office is located at Suite 2900, 595 Burrard Street, Vancouver, British Columbia, V7X 1J5, Canada. The Company’s Australian registered office and operational office and corporate staff are located at Level 1, 46 Ventnor Avenue, West Perth, Western Australia, 6005, Australia.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of presentation

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

The preparation of 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 disclosed below within this note.

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

Australian dollars are referred to as “AUD”, and United States dollars are referred to as “USD”, in these consolidated financial statements.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Basis of consolidation

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

As at December 31, 2022, the subsidiaries of the Company were as follows:

Company Name	Area of Incorporation	% of Interest
Novo Resources (USA) Corp.	Nevada, USA	100%
Conglomerate Gold Exploration (B.V.I.) Ltd.	Tortola, British Virgin Islands	100%
Karratha Gold Exploration (B.V.I.) Ltd.	Tortola, British Virgin Islands	100%
Conglomerate Gold Exploration Pty Ltd ("CGE")	Western Australia, Australia	100%
Nullagine Gold Pty Ltd ("Nullagine Gold")	Western Australia, Australia	100%
Beatons Creek Gold Pty Ltd	Western Australia, Australia	100%
Grant's Hill Gold Pty Ltd	Western Australia, Australia	100%
Karratha Gold Pty Ltd ("Karratha Gold")	Western Australia, Australia	100%
Rocklea Gold Pty Ltd	Western Australia, Australia	100%
Meentheena Gold Pty Ltd ("Meentheena")	Western Australia, Australia	100%
Farno-McMahon Pty Ltd ("Farno")	South Australia, Australia	100%
Millennium Minerals Pty Ltd ("Millennium")	New South Wales, Australia	100%

Going concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of business activities and the realization of assets and settlement of liabilities in the normal course of business.

For the year ended December 31, 2022, the Company reported operating cash outflows of \$46,186,000 (December 31, 2021: \$19,656,000) and investing cash inflows of \$119,693,000 (December 31, 2021: outflows of \$7,757,000). The Company had cash on hand and short-term investments of \$38,776,000 at March 28, 2023 and \$48,077,000 at December 31, 2022.

The Company has prepared a cash flow forecast demonstrating that the Company will have access to sufficient cash flows to meet its committed expenditure and working capital requirements for the 12-month period from the date of signing these annual consolidated financial statements.

The directors will continue to manage the Company's activities with due regard to current and future funding requirements and have identified a range of options to ensure sufficient funding is available, including the timing and amount of expenditure which is at the discretion of the directors. In addition, the directors may choose to secure additional funding by raising capital from equity markets or other sources should market conditions present favourable terms.

The directors are satisfied that the Company has sufficient funding resources in order to meet its committed expenditure for at least the next 12 months and hence prepare these annual consolidated financial statements on a going concern basis.

The Company had available liquidity of \$53,146,000 at December 31, 2022. Refer to the Company's Management's Discussion and Analysis for the year ended December 31, 2022 for further details.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Financial Instruments

Classification

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income or loss ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the date of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or when the Company has opted to measure them at FVTPL.

Financial assets at FVTOCI

Certain investments in equity instruments are classified at FVTOCI and are initially recognized at fair value plus transaction costs. The Company can elect to classify irrevocably its equity instruments designated at FVTOCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis and the Company considers these investments to be strategic in nature. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income or loss ("OCI").

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statements of profit and loss and other comprehensive income or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed through profit or loss. Gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in OCI.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

The Company considers a financial asset in default when contractual payments are overdue. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statement of profit and loss and other comprehensive income or loss. However, gains and losses on derecognition of equity investments classified as FVTOCI remain within the accumulated OCI.

Derecognition of financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss and OCI.

Financial instruments – derivatives

Derivatives are classified as FVTPL and initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. Derivatives are subsequently re-measured at their fair value at each statement of financial position date, with changes in fair value recognized through profit and loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative.

Derivatives embedded in debt instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

Inventory

Inventories comprise raw materials, stores, and consumables. Historical inventories also include work-in-process inventory (stockpiled mineralized material and gold in circuit). Inventories are stated at the lower of cost and net realizable value. Net realizable value of work-in-process inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and less applicable selling expenses. Costs include expenditure incurred in acquiring and bringing the inventories into their present location and condition and are determined on the basis of weighted average costs. Any provision for obsolescence is determined by reference to specific items of raw materials, stores, or consumables. A regular review is undertaken to determine the extent of any provision for obsolescence.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. The Company determines the type of joint arrangement in which it is involved based on the rights and obligations of the parties to the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Joint control is the contractually agreed sharing of an arrangement, which exists only when decisions about the relevant activities require consent of the parties sharing control based on unanimous consent of the parties sharing control. None of the parties involved have unilateral control of a joint operation. The Company accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. This assessment is to be performed on a continuous basis.

Foreign currency translation

The functional currency of each of the Company's subsidiaries and associates has been determined to be the local currency of their home jurisdictions. Each component's functional currency is the currency of the primary economic environment in which the component operates. Novo Resources Corp.'s functional currency is the Canadian dollar, and the consolidated financial statements are presented in Canadian dollars.

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

Foreign currency transactions

Transactions in foreign currencies are initially recorded by each entity using the respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Impairment of non-financial assets

The carrying amounts of assets included in mine development assets, right of use assets and property, plant and equipment are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is determined. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's or CGU's carrying amount exceeds the recoverable amount and is recorded as an expense immediately.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021**

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. Where a discounted cash flow model is used future cash flows are estimated using the following significant assumptions: mineral reserves and mineral resources, operating costs, capital costs, foreign exchange rates, and discount rates. All external inputs used are those that an independent market participant would consider appropriate.

Value in use is determined as the present value of the future cash flows expected to be derived from continuing use of an asset or CGU in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimates of future cash flows have not been adjusted.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount, but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into profit or loss immediately.

Decommissioning and rehabilitation liabilities

The Company recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Changes in the decommissioning and restoration liability due to the passage of time are recognized as an increase in the liability and an accretion expense in the consolidated statement of profit and loss and OCI. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Share-based payments

The Company's stock option and stock bonus plan (the "Plan") allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes option pricing model.

Share-based payment transactions with performance-based vesting conditions are measured at the fair value of the options granted at the date of issuance, and they are remeasured at every reporting period throughout the deemed life of the share-based payment based on management estimates of vesting timeframes. Management also adjusts the cumulative share-based payment expense based on the number of options expected to vest under the vesting conditions.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Loss per share

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

Property, plant and equipment and depreciation*Recognition and measurement*

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

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses

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

Depreciation

Depreciation is recognized through profit or loss and property, plant and equipment is amortized using the following methods:

Buildings	6 years, straight-line
Office furniture and equipment	5 to 6 years, straight-line
Mining equipment	
- Production plant	Units-of-production ("UOP") method
- Field equipment	5 to 6 years, straight-line
Dams, pipelines, and Infrastructure	
- Tailings storage facility	UOP method
- Infrastructure	6 years, straight-line
Camp	6 years, straight-line
Vehicles	5 to 6 years, straight-line
Leasehold improvements	Over lease term

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Exploration and evaluation expenditures

The costs of acquiring exploration stage properties, including transaction costs in an asset acquisition, are capitalized as an exploration and evaluation asset at cost.

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for Mineral Resources, which are referred to in Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and are defined in Canadian Institute of Mining, Metallurgy and Petroleum's ("CIM") CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended ("CIM Definition Standards").

Evaluation expenditures are the costs incurred to establish the technical feasibility and commercial viability of developing mineral deposits identified through exploration activities, business combination or asset acquisition. Evaluation expenditures include the cost of: (i) further defining the volume and grade of deposits through drilling of core samples and other sampling techniques, including trenching and sampling activities in a deposit or other forms of data acquisition; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of mineralized material is commercially justified including preliminary economic assessments, pre-feasibility and final feasibility studies, to the extent that such studies do not include Mineral Reserves as referred to in NI 43-101 and defined in the CIM Definition Standards.

Exploration and evaluation expenditures are expensed until it has been determined that a property is technically feasible and commercially viable, in which case subsequent evaluation costs incurred to develop a mineral property are capitalized.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or mineral resources from a particular mineral property has been determined, any capitalized exploration expenditure is reclassified as a mine development asset.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds on disposal. Exploration and evaluation assets are tested for impairment immediately prior to reclassification to a mine development asset.

The aggregate costs related to abandoned mineral properties are charged to profit or loss at the time of any abandonment, or when it has been determined that there is evidence of impairment.

Mine development assets

Mine development assets are measured at cost less accumulated depletion and accumulated impairment losses. Mine development assets include the fair value attributable to recognized mineral reserves and resources acquired in a business combination or asset acquisition and the purchase price or construction cost representing any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Upon the achievement of commercial production, a mineral property is depleted using the UOP method. UOP depletion rates are determined using gold ounces mined over the estimated recoverable resources.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Stripping costs

As part of its historic mining operations, the Company incurred stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine before the production phase commences are capitalized as part of the cost of constructing the mine and subsequently amortised over its useful life using a UOP method. The capitalization of development stripping costs ceases when the mine is ready for use as intended by management.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the mineralized material to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to mineralized material to be mined in the future, the costs are recognized as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- Future economic benefits (being improved access to the deposit) are probable;
- The component of the deposit for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified mineralized material, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. The production measure is calculated for the identified component of the mineralised material and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset and is presented as part of 'mine development asset' in the statements of financial position. This forms part of the total investment in the relevant CGU, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the deposit that became more accessible as a result of the stripping activity. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In the prior period, right of use assets were disclosed as part of property, plant and equipment, but the comparatives in the current year have been restated to separately disclose the right of use asset in the statements of financial position.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Company as Lessee

The Company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets.

Right of use assets

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

Office properties	3 to 5 years
Mining equipment	2 to 3 years

The right of use assets is also subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from equity, net of any related income tax effects. For equity offerings of units consisting of a common share and warrants, when both instruments are classified as equity, the Company does not bifurcate the proceeds between the common share and the other equity instrument.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee leave benefits*(i) Wages, salaries, and annual leave*

Liabilities for wages, salaries and, annual leave expected to be settled within 12 months of the reporting date are recognized in respect of employees' services up to the reporting date. They are measured at the amount expected to be paid when the liabilities are settled.

Revenue – gold and silver sales

Revenue from contracts with customers is recognized when control of the goods or services is 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 prevailing spot price on the date of sale.

Revenue from the sale of gold and silver during mine development was recognized in profit or loss.

Significant accounting judgements and estimates

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

Significant judgements

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

Accounting for contingent consideration payable on an asset acquisition

In accounting for the cash component of contingent consideration payable on an asset acquisition, including future royalties, the Company considers IAS 37 *Provisions, Contingent liabilities and Contingent Assets* to be the applicable Accounting Standard. Accordingly, no obligation for the cash component of contingent consideration payable based on the future performance of the asset and actions of the Company is recognized at the date of purchase of the related asset.

Determining the lease term of contracts with renewal options

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

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

Leases - estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Transition from the exploration and evaluation stage to the development stage

Judgment is required in determining when an exploration and evaluation project is both technically feasible and commercially viable. When this can be demonstrated the carrying value of the exploration and evaluation asset is reclassified to mine development assets. In assessing the technical feasibility and commercial viability of an asset, the estimated net cash flows are determined by estimating the expected future revenues and costs, including the future production costs, capital expenditures, site closure and environmental rehabilitation costs. There must a high degree of confidence to be able to conclude that the extraction, processing and sale of reserves as well as mineral resources can be undertaken economically.

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 on the transaction date.

Determination of cost of inventory sold prior to commercial production

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 development phase, consideration was 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.

Stripping costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset. Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Company considers that the ratio of the expected volume of waste to be stripped for an expected volume of mineralized material to be mined for a specific component of the deposit is the most suitable production measure.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Key estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Recoverability of exploration and evaluation assets

The amounts shown as exploration and evaluation assets represent net acquisition costs to date, and do not necessarily represent present or future values. The recoverability of these amounts are dependent upon certain factors. These factors include the existence of mineral deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its exploration and evaluation assets.

Marketable securities

The fair value of marketable securities that cannot be measured based on quoted prices in active markets is measured using valuation techniques including trading and revenue multiples.

The fair value of the shares held in Elementum 3D Inc. ("E3D") (formerly known as Sinter Print Inc.), an unlisted entity, was determined using the latest share price used by E3D to raise funds.

The fair value of the shares held in San Cristobal Mining Inc. ("SCM") (formerly known as 1342980 B.C. Ltd), an unlisted entity was determined at the last financing price.

Decommissioning, restoration and similar liabilities

Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations, and are measured at the present value of discounted cash flows for the estimated liabilities. The carrying value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. The ultimate decommissioning and restoration costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine decommissioning and restoration. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Determination of resources

Estimates pertaining to mineral resource, as referred to in NI 43-101 and defined in the CIM Definition Standards, are used to generate estimates of the amount of mineralized material that can be economically and legally extracted from the Company's mining properties. The Company does not currently have an established mineral reserve as referred to in NI 43-101 and defined in the CIM Definition Standards and therefore develops its mine plans, schedules and forecasts on estimated recoverable resources. Such estimated recoverable resources and changes to these may impact the Company's reported financial position and results, in the following way:

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

- The recoverable values of mine properties, and property, plant and equipment may be affected due to changes in estimated future cash flows;
- Depreciation and amortization charges in the consolidated statement of profit or loss and OCI may change where such charges are determined using the units-of-production method, or where the useful life of the related assets changes;
- Capitalized stripping costs recognized in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios;
- Provisions for rehabilitation and environmental provisions may change where mineral resource or mineral reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities; and
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The Company estimates its mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the deposit and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. With respect to the Beatons Creek gold project ("Beatons Creek Project"), the estimation of recoverable resources is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the deposit and is reconciled to the Beatons Creek Project's mineral resource estimate on a regular basis.

Recoverable amount of long-lived assets

The carrying amounts of mining properties and plant and equipment are assessed for any impairment triggers such as events or changes in circumstances which indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the CGU level. The Company considers both external and internal sources of information in assessing whether there are any indications that mining interests are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interests. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Refer to note 20.

UOP - depreciation

Estimated economically recoverable mineral resources are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production profile. The life of each item, which is assessed quarterly, has regard to both its physical life limitations and present assessments of economically recoverable mineral resources of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable mineral resources and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortization could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable mineral resources, or if future capital expenditure estimates change. Changes to economically recoverable mineral resources could arise due to changes in the factors or assumptions used in estimating mineral resources, including:

- The effect on economically recoverable resource of differences between actual commodity prices and commodity price assumptions; and
- Unforeseen operational issues.

In the event of changes in estimates they are accounted for prospectively.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Inventories

Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

New and amended accounting standards and interpretations

Several amendments and interpretations applied for the first time in 2022, but did not have an impact on the consolidated financial statements of the Company and, hence, have not been disclosed.

The following are the new and amended accounting standards anticipated to be effective January 1, 2023 or later that are assessed to be relevant to the Company:

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to transactions that occur on or after the beginning of the earliest comparative period presented. The Company is still in the process of identifying the impact of the amendments on the Company's financial statements.

3. INVENTORY

	December 31, 2022 \$'000	December 31, 2021 \$'000
Consumables	4,642	4,126
Gold in circuit	-	788
Stockpiles	-	4,732
Total	4,642	9,646

During the year ended December 31, 2022, the Company recorded net realizable value adjustments, recognized in cost of goods sold, of \$2,680,000 (period ended December 31, 2021 - \$2,723,000).

4. RECEIVABLES

	December 31, 2022 \$'000	December 31, 2021 \$'000
Canadian GST receivable	45	49
Australian GST receivable	2,492	5,568
Other receivables at amortized cost	50	510
Total	2,587	6,127

5. MARKETABLE SECURITIES

Calidus Resources Limited – (ASX: CAI)

On April 1, 2021, Calidus Resources Limited ("Calidus") issued 13,333,333 shares to the Company in relation to the Blue Spec sale (see note 6). During the year ended December 31, 2021, the Company sold all of its 18,471,870 Calidus shares for gross proceeds of AUD \$10,550,000 (\$9,858,000).

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

**Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021**Elementum 3D Inc. – (unlisted)

During the years ended December 31, 2022 and 2021, E3D continued to conduct a series of financings at USD \$8 per unit. Each unit was comprised of one common share and one-half of one common share purchase warrant exercisable at US\$11 for a period of 5 years from the date of issue. Although the Company did not participate in these financings, the Company recognized the price as an appropriate indicator of E3D's fair value.

The value allocated to the half warrant based on a Black Scholes valuation was USD \$1.73, resulting in a fair value of USD \$6.27 per E3D common share. The valuation was performed by an independent valuer, and the following assumptions were used in the warrant valuation:

	Assumptions
Exercise price	USD \$11.00
Risk-free interest rate	1.51%
Expected stock price volatility	82%
Expected dividend yield	0.00%
Expected life of warrants	5 years

As at December 31, 2022, the Company's ownership in E3D is 11.07%.

American Pacific Mining Corp. – (CSE: USGD)

During the year ended December 31, 2021, the Company sold all of its 266,666 common shares of American Pacific Mining Corp. ("APM") for gross proceeds of \$91,000.

Essential Metals Limited – (ASX: ESS)

During the year ended December 31, 2021, the Company sold all of its 4,450,000 ordinary shares of Essential Metals Limited for gross proceeds of AUD \$402,000 (\$378,000).

Kalamazoo Resources Limited – (ASX: KZR)

The Company holds 10,000,000 ordinary shares of ASX-listed Kalamazoo Resources Limited ("Kalamazoo") which represent a 6.72% undiluted interest in Kalamazoo as at December 31, 2022.

The Kalamazoo ordinary shares have been accounted for as marketable securities, so they have initially been recognized at fair value and subsequently remeasured at FVTOCI.

GBM Resources Limited – (ASX: GBZ)

The Company holds 11,363,637 ordinary shares (the "GBM Shares") of ASX-listed GBM Resources Limited ("GBM"), 4,545,454 ordinary share purchase warrants exercisable to purchase one ordinary share of GBM at AUD \$0.096 and expiring on April 6, 2023, and an additional 1,136,362 listed ordinary share purchase warrants exercisable to purchase one ordinary share of GBM at AUD \$0.11 and expiring on July 6, 2023 (collectively, the "GBM Warrants"). The GBM Shares represent a 2.02% undiluted interest in GBM as at December 31, 2022.

The GBM Shares have been accounted for as marketable securities and have therefore been initially recognized at fair value and will be subsequently remeasured at FVTOCI.

The GBM Warrants qualify as derivatives and have therefore been initially recognized at fair value and subsequently remeasured at fair value through profit or loss ("FVTPL").

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

New Found Gold Corp. – (TSX-V: NFG)

The Company held 15,000,000 common shares of New Found Gold Corp. ("New Found") which were originally accounted for as marketable securities, so they were initially recognized at fair value and subsequently remeasured at FVTOCI. In 2020, the Company obtained significant influence over New Found, and the New Found investment became an equity-accounted investment and was therefore subsequently recognized as an investment in associate.

On September 17, 2021 the Company ceased to exercise significant influence over New Found, and the investment in New Found was derecognized as an investment in associate and recognized as a marketable security at fair value, and subsequently remeasured at FVTOCI. The discontinuation of equity accounting of New Found resulted in a gain through profit and loss of \$85,636,000 during the year ended December 31, 2021. The fair value of the investment in New Found, based on the December 31, 2021 closing price of \$8.98 on the TSX-V, was \$134,700,000. The fair value was determined using level 1 inputs in the fair value hierarchy.

On April 12, 2022, the Company agreed to sell its 15,000,000 New Found shares to a corporation controlled by Eric Sprott for gross proceeds of approximately \$126,000,000 pursuant to arm's length negotiations (the "Transaction")

The first tranche of the Transaction totaled 8,250,000 New Found shares at \$8.35 per share for gross proceeds of \$68,900,000 and completed on April 27, 2022. The forward contract recognized on the first tranche of the Transaction resulted in a \$2,228,000 gain recognized through profit and loss.

On August 5, 2022, the Company closed the second tranche of the Transaction for gross proceeds of \$57,038,000. Together with the first tranche of the Transaction, the Company received gross proceeds of \$125,925,000 and a loss of \$31,050,000 was recognised in other comprehensive income. The Company has recognised a capital gains tax liability of \$6,053,000 utilising available tax losses which is due in Q1 2023.

San Cristobal Mining Inc. (formerly 1342980 B.C. Ltd.) – (unlisted)

On June 14, 2022 the Company participated in San Cristobal Mining Inc.'s ("SCM") private placement by purchasing 1,000,000 units at USD \$0.05 per 134 SCM Unit for gross consideration of USD \$50,000 (\$61,000).

Each SCM unit comprised of one SCM ordinary share and one whole common share purchase warrant. Each warrant entitles the Company to purchase one common share of SCM at a price of USD\$0.25 for a period of 12 months following the issuance of the warrants.

On August 11, 2022 the Company exercised 400,000 of its warrants for USD \$100,000 (\$127,605).

On October 21, 2022 the Company exercised 600,000 of its warrants for USD \$150,000 (\$206,717).

The SCM common shares have been accounted for as marketable securities and have thus initially been recognized at fair value and subsequently remeasured at FVTOCI.

The SCM warrants qualify as a derivative and have initially been recognized at fair value and subsequently remeasured at FVTPL.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

As at December 31, 2022						
	Number of shares	Opening Fair Value	Additions / (Disposals)	Foreign Exchange	Gains / (Losses)	Closing Fair Value
FVTOCI	Closing balance	\$'000	\$'000	\$'000	\$'000	\$'000
Elementum 3D Inc. Common Shares	2,076,560	16,507	-	-	1,129	17,636
New Found Gold Corp Common Shares	-	134,700	(103,650)	-	(31,050)	-
Kalamazoo Resources Limited Ordinary Shares	10,000,000	3,498	-	(31)	(1,536)	1,931
GBM Resources Ltd Ordinary Shares	11,363,637	1,203	-	(15)	(739)	449
San Cristobel Mining Inc. Ordinary Shares	2,000,000	-	394	-	282	676
		155,908	(103,256)	(46)	(31,914)	20,692

As at December 31, 2022						
	Number of securities	Opening Fair Value	Additions	Foreign Exchange	Losses	Closing Fair Value
FVTPL	Closing balance	\$'000	\$'000	\$'000	\$'000	\$'000
GBM Resources Ltd Warrants/Options	5,681,818	301	-	(5)	(287)	9
San Cristobel Mining Inc Warrants	-	-	3	-	(3)	-
		301	3	(5)	(290)	9

Total marketable securities - non current 20,701

As at December 31, 2021						
	Number of shares	Opening Fair Value	Disposals	Transfer from investment in associate	Foreign Exchange	Gains / (Losses)
FVTOCI	Closing balance	\$'000	\$'000	\$'000	\$'000	\$'000
Calidus Resources Limited Ordinary Shares	-	2,552	(4,834)	-	(188)	2,470
American Pacific Mining Corp. Common Shares	-	47	(92)	-	-	45
Elementum 3D Inc. Common Shares	2,076,560	6,610	-	-	84	9,813
Essential Metals Limited Ordinary shares	-	358	(393)	-	(1)	36
New Found Gold Corp Common Shares	15,000,000	-	-	107,250	-	27,450
Kalamazoo Resources Limited Ordinary Shares	10,000,000	5,852	-	-	(329)	(2,025)
GBM Resources Ltd Ordinary Shares	11,363,637	1,564	-	-	(94)	(267)
		16,983	(5,319)	107,250	(528)	37,522
						155,908

As at December 31, 2021						
	Number of securities	Opening Fair Value	Additions	Foreign Exchange	Unrealised Losses	Closing Fair Value
FVTPL	Closing balance	\$'000	\$'000	\$'000	\$'000	\$'000
Kalamazoo Resources Limited Warrants/Options	-	1,271	-	(54)	(1,217)	-
GBM Resources Ltd Warrants/Options	5,681,818	516	-	(29)	(186)	301
		1,787	-	(83)	(1,403)	301

Total marketable securities - non current 156,209

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****6. EXPLORATION AND EVALUATION ASSETS**

	December 31, 2022 \$'000	December 31, 2021 \$'000
Exploration and evaluation assets		
Opening balance	149,928	146,687
Acquisitions		
East Pilbara	278	4,224
Victoria	455	7,215
West Pilbara	45	23
Movement in rehabilitation provision	1,783	1,933
Impairment	-	(177)
Foreign exchange	(12)	(9,977)
Closing balance	152,477	149,928

The adjustment of \$1,783,000 (December 31, 2021 – \$1,933,000) relates to the movement in the rehabilitation provision for the Millennium tenements acquired (see note 13).

Royalties

In addition to any specific royalty rights described below, a 2.5% gross royalty is payable to the State of Western Australia on any gold and silver sold by the Company on any mineral property in Western Australia, subject to a 2,500 ounce annual exemption. In addition, a 2.75% gross royalty is payable to the State of Victoria on any gold and silver sold by the Company on any mineral property in Victoria, subject to a 2,500 ounce annual exemption.

Concurrently with the acquisition of Millennium in 2020 which was accounted for as an asset acquisition, Novo has also agreed to pay to IMC Resources Gold Holdings Pte Ltd, Heritas Capital Management (Australia) Pty Ltd, and IMC Resources Ltd (collectively, "IMC") deferred consideration in the form of a fee on future gold production equal to 2% of all gold revenue generated by Novo up to the later of cumulative gold production of 600,000 ounces or cumulative payments of AUD \$20,000,000 having been made to IMC. To date, the Company has paid AUD \$4,413,000 to IMC on the basis of 88,607 ounces produced since commencement of operations at the Beatons Creek Project.

East Pilbara**Beatons Creek Project**

The Company signed agreements with Aboriginal groups who have title to the ground comprising the Beatons Creek Project during the year ended January 31, 2018. A gross royalty totaling 2.75% is payable to these groups on any gold and silver produced from the Beatons Creek Project.

Millennium Property

Pursuant to the acquisition of Millennium, the Company acquired control over 106 granted tenements including one general purpose lease, 11 miscellaneous licences, 62 mining leases, and 32 prospecting licences.

Talga Projects

A 1.5% net smelter returns royalty is payable on any minerals extracted from the Talga Talga and Mosquito Creek Projects in a commercial mining operation.

Calidus' Warrawoona Project

The Company holds a 1% net smelter returns gold royalty over certain tenure comprising Calidus' Warrawoona project in Western Australia.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

Blue Spec Project

On March 22, 2021 the Company signed amended binding terms sheets with Calidus regarding the sale of M46/115 and M46/244 (the "Calidus Blue Spec Tenements") which comprise the greater Blue Spec project (the "Blue Spec Project"). The resulting transactions and revised terms were as follows:

- Calidus paid an additional AUD \$5,000,000 (\$4,891,000) to the Company on January 28, 2021 in exchange for an additional 25% in the Calidus Blue Spec Tenements (aggregate payment in addition to payments made in 2020 – AUD \$7,700,000(\$7,313,980)); and
- Calidus paid an additional AUD \$5,000,000 (\$4,810,000) to the Company on March 29, 2021 (aggregate payment – AUD \$12,700,000) and issued 13,333,333 ordinary shares of Calidus on April 1, 2021 to complete the acquisition of the Calidus Blue Spec Tenements.

A 2% net smelter returns royalty over all production from tenements comprising the Blue Spec Project is payable to RSI (WA Gold) Pty Ltd. under a royalty agreement entered into by Northwest Resources Limited ("Northwest"), the prior owner of the Blue Spec Project.

A net smelter returns royalty over all production from certain tenements comprising the Blue Spec Project is payable to St. Barbara Limited under a royalty agreement Northwest was bound by when it owned the Blue Spec Project. The Company assumed the obligations under the 2015 purchase agreement with Northwest. The royalty is equal to 3.75% of the gross proceeds of sale of 75% of all gold, silver and other minerals produced from the Blue Spec Project. Insofar as these royalty obligations pertain to the Calidus Blue Spec Tenements, the Company has transferred these royalty obligations to Calidus.

Paleo-Placer Property

8,431 common shares (the "Additional Consideration Shares") will be issued to Mark Gareth Creasy and entities controlled by him (collectively, the "Creasy Group") once Australian Foreign Investment Review Board ("FIRB") approval has been obtained pursuant to a binding term sheet with the Creasy Group under which Novo consolidated sole ownership of 510km² of existing tenure and acquire ownership of an additional 2,390km² of highly prospective new tenure in the Pilbara region of Western Australia (the "Creasy Transaction"). The Additional Consideration Shares will be subject to a statutory hold period expiring four months from the date of issuance. If FIRB approval was not obtained by September 30, 2021, or such later date as agreed by the Company and the Creasy Group, either the Company or the Creasy Group may terminate this portion of the Creasy Transaction. The Additional Consideration Shares were issued after year end – refer to Note 29.

Liatam Mining Pty Ltd (Liatam) – Quartz Hill

The Company has entered into an agreement whereby Liatam have been granted the right to earn an 80% interest in battery mineral rights at the Company's Quartz Hill project.

Liatam is required to spend AUD \$1,500,000 over 24 months in order to complete the earn-in. Novo will be free carried to the earlier of the completion of a bankable feasibility study or Liatam having sole funded AUD \$20,000,000 (including the initial AUD \$1,500,000 million earn-in amount) (the "Contribution Date"). On or around the Contribution Date, Novo will have the right to elect to contribute its pro-rata share of expenditure or convert to a royalty equal to 1% of gross lithium sale proceeds or an amount equal to 20% of any royalty owing to the State of Western Australia on gross battery mineral sale proceeds (other than lithium). Novo has also granted Liatam a one-time right exercisable prior to June 30, 2023, pursuant to which Liatam can add lithium rights over Novo's Pilbara tenements of Liatam's choosing (subject to certain exclusions and tenements which are already subject to arrangements with third parties) to the arrangement and earn-in at an agreed rate. The earn-in is otherwise subject to industry-standard earn-in and joint arrangement conditions, including coordination of exploration and development activities amongst the parties. Throughout the earn-in, Liatam's exploration activities will be prioritized. Liatam also has the right to terminate the earn-in after spending A\$0.75 million.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

West Pilbara

Bellary Dome Pty Ltd (“Bellary Dome”)

The Company holds an option to acquire the gold rights (the “Option”) over exploration licence 47/3555 (the “Bellary Tenement”) located in the Southern Pilbara region of Western Australia from Bellary Dome, which it extended for 12 months (the “Option Period”) during the year ended December 31, 2021 by paying Bellary Dome AUD \$25,000 (\$23,000). At any time during the Option Period, the Company may exercise its Option and earn a 100% gold rights interest in the Bellary Tenement by paying Bellary Dome AUD \$1,000,000 and granting Bellary Dome a 2% gross overriding royalty on all gold derived from future production by the Company from the Bellary Tenement.

On July 29, 2022, the Company extended the Option Period over the Bellary Tenement by an additional 12 months by paying AUD \$50,000 (\$44,000) to Bellary Dome. The Company can extend the Option Period for another 12 months from the expiry of the Option Period by paying Bellary Dome AUD \$100,000.

Comet Well Property

On February 4, 2021, AUD \$3,000,000 (\$2,946,000) in aggregate was paid to Gardner Mining Pty Ltd (“Gardner”) and Bradley Adam Smith (“Smith”), the Company’s Comet Well project (the “Comet Well Project”) joint operation partners, and 1,198,395 common shares (the “Subsequent Consideration Shares”) were issued to Gardner and Smith with a fair value of \$3,354,000.

A bonus (the “Discovery Bonus”) of AUD \$1,000,000 payable in cash and/or Novo common shares (at Campbell’s option) is required to be paid to Johnathon and Zoe Campbell (“Campbell”) if Novo publishes measured, indicated, or inferred gold resources of at least 250,000 ounces on the Comet Well Project (the “Comet Well Technical Report”). As at the date of these consolidated financial statements, resources have not been defined on the Comet Well Project.

If the Discovery Bonus is to be paid in the Company’s common shares, the shares will be priced at the Company’s then 5-day trailing volume-weighted average closing price (“VWAP”) and will be subject to a statutory hold period expiring four months from the date of issuance. The Company has not published a Comet Well Technical Report, therefore no amount has been accrued for the Discovery Bonus.

The royalty agreement between the Company and Campbell entitles Campbell to a 0.5% net smelter returns royalty on gold (the “Campbell Royalty”) extracted by the Company on the Comet Well Project. The Company also agreed to pay Campbell a sub-royalty, in cash or satisfied by the issuance of common shares at the Company’s discretion, based on either (i) resource reports being announced by the Company in compliance with either National Instrument 43-101 or the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves for the Comet Well property, demonstrating Measured Mineral Resources or Indicated Mineral Resources of gold, or a combination thereof (together, the “Announced Resources”), or (ii) if there are no Announced Resources but the Comet Well property is being mined by the Company, gold produced by the Company (“Mined Resources”), as follows:

- For Announced Resources and/or Mined Resources up to 5,000,000 ounces of gold, Novo shall make a payment of \$0.50 per ounce; and
- For Announced Resources and/or Mined Resources over 5,000,000 ounces of gold, Novo shall make a payment of \$1.00 per ounce.

If applicable, any sub-royalty will be paid quarterly, and the obligation to pay the sub-royalty expires on the tenth anniversary of the date the TSX-V approved the Discovery Bonus. The sub-royalty is only payable once in respect of Announced Resources that may subsequently become Mined Resources. If a sub-royalty is paid in common shares issued by the Company, the issue price will be determined by reference to the VWAP of the Company’s shares for the last 20 trading days of the relevant quarter.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

De Grey Mining Ltd. (“De Grey”) and Farno Heads of Agreement

During the year ended December 31, 2021, De Grey earned an aggregate 75% interest in tenement E47/2502. The Company retains a 25% interest in tenement E47/2502 as well as a 100% interest in alluvial rights over E47/2502 to a depth of three metres below surface.

Victoria, Australia**Malmsbury Project**

Refer to Note 28. On May 13, 2021, the Company completed its option exercise to acquire a 50% interest in GBM’s Malmsbury gold project (the “Malmsbury Project”) and issued 1,575,387 Novo common shares to GBM at a fair value of \$2.19 for total consideration of \$3,450,000.

The Company has the right to increase its 50% interest in the Malmsbury Project and earn an additional 10% interest and form a joint arrangement with GBM by incurring AUD \$5,000,000 in exploration expenditure (the “Malmsbury Earn-In Amount”) over a four-year period (the “Malmsbury Earn-In Period”), as to a minimum of AUD \$1,000,000 during the first year, and AUD \$1,250,000 in each subsequent year, of the Malmsbury Earn-In Period. Any expenditure incurred during any year of the Malmsbury Earn-In Period which surpasses the minimum required amount will be credited against the subsequent year’s commitment. If Novo does not satisfy the Malmsbury Earn-In Amount during the Malmsbury Earn-In Period, Novo’s interest in the Malmsbury Project will decrease to 49%.

However, following satisfaction by Novo of the Malmsbury Earn-In Amount during the Malmsbury Earn-In Period, and delivery to GBM of written notice of its election to increase its interest in the Malmsbury Project to an aggregate 60% interest and initiate a joint arrangement with GBM (the “Malmsbury Joint Venture Date”), GBM will be required to elect to (i) retain its 40% interest in the Malmsbury Project by contributing to 40% of exploration and development expenditure incurred subsequent to the Malmsbury Joint Venture Date, or (ii) dilute its interest in the Malmsbury Project to 25% upon delivery by Novo of a preliminary economic assessment (the “Malmsbury PEA”) disclosing at least a 1 million ounce gold mineral resource, of which at least 60% must be in the Indicated classification, within 3 years from the Malmsbury Joint Venture Date. In such case, Novo will pay all development expenditure incurred commencing from the Malmsbury Joint Venture Date, but if a decision to mine is made, GBM will reimburse Novo as to 25% of any such development expenditure from a maximum of 80% of Malmsbury Project cash flows.

Novo and GBM also negotiated a royalty arrangement whereby, subsequent to a decision to mine, GBM will be entitled to receive a maximum 2.5% net smelter returns royalty (the “Maximum Royalty”). The Malmsbury Project is encumbered by certain pre-existing royalties for which GBM has indemnified Novo.

Queens Project

Refer to Note 29. On March 22, 2021, the Company exercised an option to acquire a 50% interest in Kalamazoo’s Queens gold project (the “Queens Project”) and issued 584,215 Novo common shares to Kalamazoo at a fair value of \$3.21 for total consideration of \$1,875,000.

Novo now has the right to increase its 50% interest and earn an additional 20% interest and form a joint arrangement with Kalamazoo by incurring AUD \$5,000,000 in exploration expenditure (the “Queens Earn-In Amount”) over a five-year period (the “Queens Earn-In Period”), with a minimum expenditure of AUD \$250,000 during the first year, AUD \$1,000,000 in each of the second, third, and fourth years, and AUD \$1,750,000 during the fifth and final year of the Queens Earn-In Period. Any expenditure incurred during any year of the Queens Earn-In Period which surpasses the minimum required amount will be credited against the subsequent year’s commitment.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

If Novo satisfies the Queens Earn-In amount by the expiry of the Queens Earn-In Period, it will have 30 days to elect to either (i) earn an additional 10% in the Queens Project by delivering a preliminary economic assessment (the "Queens PEA") which must include a minimum 1 million ounces of gold of which at least 60% must be comprised of indicated mineral resources within three years of the Company's election (the "Queens PEA Conditions"), or (ii) maintain its 70% interest in the Queens Project. If the Company elects to maintain its 70% interest in the Queens Project, Kalamazoo must elect to either (i) contribute to 30% of exploration expenditure, or (ii) automatically convert to a 2% net smelter returns gold royalty.

If the Company elects to complete the Queens PEA but fails to satisfy the Queens PEA Conditions, Novo will retain a 70% interest in the Queens Project and Kalamazoo can elect to contribute to 30% of exploration expenditure or dilute at a rate of 1% for every AUD\$100,000 not contributed. If Kalamazoo's interest dilutes below 10%, Kalamazoo's interest will automatically convert to a 2% net smelter returns gold royalty.

The Company and Kalamazoo also agreed to amend the timing of the Queens Earn-In Amount on March 22, 2021. During the Queens Earn-In Period, the Company would be required to incur AUD \$75,000 during the first year, AUD \$1,000,000 during each of the second, third, and fourth years, and AUD \$1,925,000 during the fifth and final year to earn the additional 20% interest. If Novo does not satisfy the Queens Earn-In Amount during the Queens Earn-In Period, Novo's interest in the Queens Project will decrease to 49%.

Nevada, USA Region**Tuscarora Property**

APM granted to Novo a 0.5% net smelter returns royalty which APM can repurchase for USD \$500,000 at any time. APM also assumed all of Novo's royalty obligations under its original option agreement underlying the Tuscarora project between Novo and Nevada Select Royalty, Inc.

Recoverability of exploration and evaluation assets

The amounts shown as exploration and evaluation assets represent acquisition costs to date, net of amounts written off and costs recovered, and do not necessarily represent present or future values. The recoverability of these amounts from future exploration and any additional amounts required to place the exploration and evaluation assets into commercial production are dependent upon certain factors. These factors include the existence of mineral deposits sufficient for commercial production and the Company's ability to obtain the required additional financing necessary to develop its exploration and evaluation assets.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

7. PROPERTY, PLANT, AND EQUIPMENT

	Buildings \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Dams, Pipelines & Borefields \$'000	Exploration Camp \$'000	Vehicles \$'000	Leasehold Improvement \$'000	Capital WIP \$'000	Critical Spares \$'000	Total \$'000
Gross carrying amount at cost										
Opening balance - January 1, 2022	4,772	620	80,444	10,946	662	381	175	3,424	1,705	103,129
Additions	-	-	2,900	-	-	-	-	2,078	-	4,978
Transfers from capital WIP	386	390	3,273	1,378	-	14	-	(5,441)	-	-
Foreign exchange	2	6	31	14	(1)	(1)	(1)	(61)	(1)	(12)
Closing balance	5,160	1,016	86,648	12,338	661	394	174	-	1,704	108,095

	Buildings \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Dams, Pipelines & Borefields \$'000	Exploration Camp \$'000	Vehicles \$'000	Leasehold Improvement \$'000	Capital WIP \$'000	Critical Spares \$'000	Total \$'000
Accumulated depreciation and impairment										
Opening balance - January 1, 2022	(1,964)	(312)	(23,121)	(2,895)	(260)	(218)	(22)	-	-	(28,792)
Depreciation	(584)	(160)	(11,552)	(2,021)	(102)	(57)	(42)	-	-	(14,518)
Impairment	-	(198)	(38,960)	(7,122)	-	(112)	-	-	(1,673)	(48,065)
Foreign exchange	(8)	(6)	(877)	(160)	(2)	(3)	(1)	-	(31)	(1,088)
Closing balance	(2,556)	(676)	(74,510)	(12,198)	(364)	(390)	(65)	-	(1,704)	(92,463)

Net book value as at December 31, 2021	2,808	308	57,323	8,051	402	163	153	3,424	1,705	74,337
--	-------	-----	--------	-------	-----	-----	-----	-------	-------	--------

Net book value as at December 31, 2022	2,604	340	12,138	140	297	4	109	-	-	15,632
--	-------	-----	--------	-----	-----	---	-----	---	---	--------

	Buildings \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Dams, Pipelines & Borefields \$'000	Exploration Camp \$'000	Vehicles \$'000	Leasehold Improvement \$'000	Capital WIP \$'000	Critical Spares \$'000	Total \$'000
Gross carrying amount at cost										
Opening balance - January 1, 2021	5,099	604	76,168	396	697	393	-	7,906	1,822	93,085
Additions	-	-	28	586	-	-	-	16,151	-	16,765
Transfers from Capital WIP	-	58	9,340	10,261	375	14	179	(20,227)	-	-
Disposals	-	-	-	-	(365)	-	-	-	-	(365)
Foreign exchange	(327)	(42)	(5,092)	(297)	(45)	(26)	(4)	(406)	(117)	(6,356)
Closing balance	4,772	620	80,444	10,946	662	381	175	3,424	1,705	103,129

	Buildings \$'000	Office Furniture and Equipment \$'000	Mining Equipment \$'000	Dams, Pipelines & Borefields \$'000	Exploration Camp \$'000	Vehicles \$'000	Leasehold Improvement \$'000	Capital WIP \$'000	Critical Spares \$'000	Total \$'000
Accumulated depreciation and impairment										
Opening balance - January 1, 2021	(270)	(66)	(488)	(21)	(343)	(117)	-	-	-	(1,305)
Depreciation	(814)	(164)	(4,184)	(290)	(156)	(69)	(23)	-	-	(5,700)
Disposals	-	-	-	-	298	-	-	-	-	298
Impairment	(938)	(92)	(19,010)	(2,653)	(80)	(42)	-	-	-	(22,815)
Foreign exchange	58	10	561	69	21	10	1	-	-	730
Closing balance	(1,964)	(312)	(23,121)	(2,895)	(260)	(218)	(22)	-	-	(28,792)

Net book value as at December 31, 2020	4,829	538	75,680	375	354	276	-	7,906	1,822	91,780
--	-------	-----	--------	-----	-----	-----	---	-------	-------	--------

Net book value as at December 31, 2021	2,808	308	57,323	8,051	402	163	153	3,424	1,705	74,337
--	-------	-----	--------	-------	-----	-----	-----	-------	-------	--------

Refer to note 20 for details of impairment.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****8. RIGHT OF USE ASSETS**

	Properties \$'000	Mining Equipment \$'000	Total \$'000
Gross carrying amount at cost			
Opening balance - January 1, 2022	1,288	32,888	34,176
Lease modification / reassessment	-	(13,920)	(13,920)
Disposals	-	(6,308)	(6,308)
Foreign exchange	1	(245)	(244)
Closing balance	1,289	12,415	13,704

	Properties \$'000	Mining Equipment \$'000	Total \$'000
Accumulated depreciation and impairment			
Opening balance - January 1, 2022	(310)	(8,088)	(8,398)
Depreciation	(393)	(4,802)	(5,195)
Lease modification / reassessment	-	2,415	2,415
Impairment	-	(2,225)	(2,225)
Disposals	-	6,308	6,308
Foreign exchange	49	(140)	(91)
Closing balance	(654)	(6,532)	(7,186)
Net book value as at December 31, 2021	978	24,800	25,778
Net book value as at December 31, 2022	635	5,883	6,518

	Properties \$'000	Mining Equipment \$'000	Total \$'000
Gross carrying amount at cost			
Opening balance - January 1, 2021	700	40,507	41,207
Additions	1,318	12,702	14,020
Disposals	(637)	(1,205)	(1,842)
Lease modification	-	(16,639)	(16,639)
Foreign exchange	(93)	(2,477)	(2,570)
Closing balance	1,288	32,888	34,176

	Properties \$'000	Mining Equipment \$'000	Total \$'000
Accumulated depreciation and impairment			
Opening balance - January 1, 2021	(506)	(1,465)	(1,971)
Depreciation	(417)	(12,613)	(13,030)
Disposals	637	742	1,379
Impairment	-	(4,657)	(4,657)
Lease modification	-	9,655	9,655
Foreign exchange	(24)	250	226
Closing balance	(310)	(8,088)	(8,398)
Net book value as at December 31, 2020	194	39,042	39,236
Net book value as at December 31, 2021	978	24,800	25,778

The Company's historic mining contract for the Beatons Creek Project included various items of mining equipment which were accounted for as a lease. The original lease term of the mining equipment was for three years with an option to extend, which was taken into account in the initial calculation. The contract was modified, and certain mining equipment was demobilized during the year ended December 31, 2021. As at December 31, 2021 the right of use asset relating to mining equipment was partially impaired.

On June 14, 2022, the Company announced the phased wind-down of the operations at the Beatons Creek Project. As a result, the lease liability was remeasured and the right of use asset was adjusted by \$11,659,000 (see note 11). On June 23, 2022 the Company exercised its right to terminate the contract with 60 day's notice. This lease asset was assessed for impairment after the lease liability remeasurement and an impairment of \$2,225,000 was recognized.

The Company's on-site laboratory and sample preparation services include various items of laboratory equipment which have been accounted for as a lease. The original term of the laboratory equipment was for three years with an option to extend, which has not been taken into account in the calculation. The contract was modified with the termination of the on-site laboratory during the year ended December 31, 2022. The right of use asset and the lease liability were adjusted during the year ended December 31, 2022 by \$14,000 and \$595,000, respectively, with a gain of \$597,000 recognised in the statement of profit and loss.

The Company also leases office space and properties in Western Australia, to support exploration and operations. The Company applies the recognition exemption for the lease of assets with lease terms of 12 months or less.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****9. MINE DEVELOPMENT ASSET**

	Mine Development Asset \$'000
Gross carrying amount at cost	
Opening balance - January 1, 2022	27,635
Additions	754
Changes in rehabilitation provision	2,761
Foreign exchange	35
Closing balance	31,185

	Mine Development Asset \$'000
Accumulated depreciation and impairment	
Opening balance - January 1, 2022	(20,667)
Depreciation	(6,126)
Foreign exchange	(87)
Closing balance	(26,880)

Net book value as at December 31, 2021	6,968
---	--------------

Net book value as at December 31, 2022	4,305
---	--------------

	Mine Development Asset \$'000
Gross carrying amount at cost	
Opening balance - January 1, 2021	12,820
Additions	8,670
Changes in rehabilitation provision	7,331
Foreign exchange	(1,186)
Closing balance	27,635

	Mine Development Asset \$'000
Accumulated depreciation and impairment	
Opening balance - January 1, 2021	-
Depreciation	(1,717)
Impairment	(19,433)
Foreign exchange	483
Closing balance	(20,667)

Net book value as at December 31, 2020	12,820
---	---------------

Net book value as at December 31, 2021	6,968
---	--------------

Refer to note 20 for details of impairment.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022 \$'000	December 31, 2021 \$'000
Trade and other payables	1,740	3,247
Accrued expenses	3,807	12,731
Employee entitlements	705	916
Total	6,252	16,894

There has been a reclassification of a liability from accounts payable and accrued liabilities to provisions in order to reflect the underlying nature of the liability.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****11. LEASE LIABILITIES**

	December 31, 2022 \$'000	December 31, 2021 \$'000
Opening balance	30,983	40,211
Additions	-	14,000
Disposals	-	(46)
Accretion of interest	1,356	3,093
Lease modification / reassessment	(12,102)	(8,896)
Payments	(13,188)	(14,982)
Foreign exchange	(451)	(2,397)
Closing balance	6,598	30,983
Current	4,314	12,453
Non current	2,284	18,530

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Expense relating to short term and low value assets	44	231
Variable lease payments (included in cost of sales)	1,534	1,363

12. LOANS AND BORROWINGS

On June 14, 2022 the Company announced the phased wind-down of operations at the Beatons Creek Project which constituted an event of default under the Credit Facility, as amended. The Credit Facility was remeasured and was recorded at the total amount repayable of USD \$40,000,000 (\$51,544,000). An amortized cost adjustment of USD \$4,428,387 (\$5,630,000) was recognised in the statement of profit or loss as a finance cost.

On August 12, 2022, the Company completed repayment of the Credit Facility. The Company paid an aggregate amount of USD \$40,144,000 (\$51,316,000) to Sprott Lending in satisfaction of all amounts outstanding, including all accrued interest, on the Credit Facility. No early repayment penalties were paid. The Company has discharged all security previously granted to Sprott Lending in connection with the Credit Facility.

	Credit Facility \$'000	Derivative liability \$'000	Total \$'000
Opening balance January 1, 2022	43,723	378	44,101
Interest and accretion	9,993	-	9,993
Payment of cash component of interest	(3,042)	-	(3,042)
Derivative liability change in fair value	-	(378)	(378)
Repayment	(51,110)	-	(51,110)
Foreign exchange gain (loss)	436	-	436
Closing balance - December 31, 2022	-	-	-

	Credit Facility \$'000	Derivative liability \$'000	Total \$'000
Opening balance January 1, 2021	34,899	984	35,883
Fair value on initial recognition (additional draw down)	6,040	113	6,153
Interest and accretion	7,266	-	7,266
Payment of cash component of interest	(4,405)	-	(4,405)
Derivative liability change in fair value	-	(710)	(710)
Foreign exchange gain (loss)	(77)	(9)	(86)
Closing balance - December 31, 2021	43,723	378	44,101

Current	6,339	-	6,339
Non current	37,384	378	37,762

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****13. PROVISION FOR CLOSURE AND RECLAMATION**

The Company recognized a rehabilitation provision on the acquisition of Millennium as well as on the Beatons Creek Project. The Company has calculated the present value of the closure and reclamation provision at December 31, 2022 using a discount rate of 3.31% and 3.57% and an inflation rate of 3.5%. The Company has estimated that payments will be made between 2026 and 2038.

A sensitivity analysis was performed to evaluate the difference by extending and shortening the timeframe by 2 years which derived a net present value of \$40,520,000 and \$42,304,000, respectively.

	December 31, 2022 \$'000	December 31, 2021 \$'000
Opening balance	36,342	28,615
Accretion on discounted obligation	1,030	473
Change in estimate	4,500	9,310
Foreign exchange	63	(2,056)
Closing balance	41,935	36,342

14. SUMITOMO FUNDING LIABILITY & CALL OPTION

On June 7, 2019, the Company entered into the Egina Farmin Agreement ("EFA") with Sumitomo Corporation of Tokyo, Japan to advance its Egina project (the "Project") located near Port Hedland in WA.

As a result of the unique features and characteristics of the EFA, the Company elected to designate the financial liability and related embedded derivatives in their entirety at FVTPL. In these circumstances, changes in the fair value of the entire hybrid financial instrument were recognised through profit or loss, except to the extent that the change in fair value was attributable to changes in credit risk of that liability (in which case it was presented in other comprehensive income).

The written call option was initially measured at cost, determined as the residual amount of the consideration received after deducting the fair value of the financial liability (including embedded derivatives).

On April 21, 2022, Sumitomo made a final contribution of AUD \$370,000 (\$335,000) and subsequently exercised its reimbursement option under the EFA. In response, Novo exercised its option under the EFA to settle the reimbursement with equity and issued 3,382,550 common shares to Sumitomo with a fair value of \$0.94 per share for gross consideration of \$3,180,000, all of which are subject to orderly sale restrictions and a 12-month hold period expiring on April 21, 2023. As a result of Sumitomo's exercise of its reimbursement option and Novo's exercise of its option to settle the reimbursement with equity, the EFA was completed and Sumitomo's rights thereunder were extinguished. The Company recognized a gain of \$2,935,000 through profit and loss on the difference between the fair value of its equity reimbursement right and the remaining financial liability and written call option on the date of settlement.

	December 31, 2022 \$'000	December 31, 2021 \$'000
Sumitomo funding liability		
Opening balance	5,780	6,071
Draw downs	342	-
Sumitomo liability change in FVTPL	(2,942)	(89)
Reimbursement option adjustment	-	183
Exercise of Share Payment Option – issuance of 3,382,550 Novo common shares	(3,180)	-
Foreign exchange	-	(385)
Closing balance	-	5,780

	December 31, 2022 \$'000	December 31, 2021 \$'000
Sumitomo written call option		
Opening balance	1,083	1,157
Expiration on exercise of the reimbursement right	(1,083)	-
Foreign exchange	-	(74)
Closing balance	-	1,083

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

15. CAPITAL AND RESERVES

Authorized

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

Shares issued

During the year ended December 31, 2022 and the period ended December 31, 2021, shares were issued pursuant to the Plan and brokered and non-brokered private placements and mineral property transactions as follows:

- a) On December 23, 2022 the Company issued 944,362 shares at a fair value of \$0.28, based on the closing price on the TSX, to its employees under the Plan.
- b) On December 22, 2022 the Company issued 12,820,512 units at \$0.39 per unit to Liatam. Each unit consists of one common Novo share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of C\$0.60 per share until December 22, 2024.
- c) On April 21, 2022 the Company issued 3,382,550 common shares to Sumitomo pursuant to the EFA (see note 14).
- d) On May 4, 2021 the Company closed a marketed private placement of special warrants ("Special Warrants") totalling \$26.4 million (the "Offering"). The Company issued 10,353,000 Special Warrants at a price of \$2.55 per Special Warrant. Each Special Warrant converted into one unit of the Company (each a "Special Warrant Unit") without payment of additional consideration on May 31, 2021 due to the Company obtaining a receipt from the British Columbia Securities Commission, as principal regulator, for final short form prospectuses qualifying the Special Warrant Units underlying the Subscription Receipts on May 31, 2021. Each Special Warrant Unit consists of one common share of the Company (each, a "Special Warrant Unit Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"), with each Warrant being exercisable to acquire one common share of the Company at an exercise price of \$3.00 per Warrant Share until May 4, 2024. The Special Warrants issued were initially recognized as financial liabilities at fair through profit and loss. The financial liability was valued on May 4, 2021 by valuing the underlying components into which the special warrants convert i.e. a Special Warrant Unit comprised of one common share and one-half of one Warrant. Transaction costs of \$1,759,000 have been expensed in the statement of profit or loss. The Company used its share price of \$2.29 to value the 10,353,000 shares and used the Black-Scholes option pricing model to value 5,176,500 Warrants using the assumptions detailed below. On May 31, 2021, when the Special Warrants converted into Special Warrant Units of the Company, the fair value of \$31,027,000 was transferred to equity along with accompanying share issue costs of \$59,000.

	Fair value of special warrants	
	May 4, 2021	May 31, 2021 transferred to
Share price	\$2.29	\$2.42
Exercise price	\$3	\$3
Dividend yield	0.00%	0.00%
Expected volatility	83.01%	83.31%
Expected option life	3 years	2.93 years

- e) Refer to notes 5 and 6 for shares issued to acquire marketable securities and exploration and evaluation assets.
- f) Treasury shares related to the Company's shares that were held by New Found. The amount represented by such treasury shares was reversed on derecognition of the investment in associate.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021**Warrants**

The continuity of warrants is as follows:

	December 31, 2022		December 31, 2021	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of the period	24,681,218	4.11	19,504,718	4.40
Granted	3,846,153	0.60	5,176,500	3.00
Balance, end of the period	28,527,371	3.63	24,681,218	4.11

Full share equivalent warrants outstanding and exercisable as at December 31, 2022:

Expiry Date	Price per share \$	Warrants Outstanding
August 27, 2023	4.40	8,596,184
September 7, 2023	4.40	8,853,427
September 9, 2023	4.40	726,812
September 14, 2023	4.40	1,328,295
May 4, 2024	3.00	5,176,500
December 22, 2024	0.60	3,205,128
December 22, 2025	0.60	641,025
		<u>28,527,371</u>

Full share equivalent warrants outstanding and exercisable as at December 31, 2021:

Expiry Date	Price per share \$	Warrants Outstanding
August 27, 2023	4.40	8,596,184
September 7, 2023	4.40	8,853,427
September 9, 2023	4.40	726,812
September 14, 2023	4.40	1,328,295
May 4, 2024	3.00	5,176,500
		<u>24,681,218</u>

Share option plan

Pursuant to the Company's Plan, the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of each option ("Option") shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the TSX.

The Company has 10,000,000 outstanding Options of which 8,000,000 remaining Options have fully vested as at December 31, 2022, the remaining 2,000,000 stock options vest equally over a 2-year period. 4,600,000 options expired during December 31, 2022.

The continuity of stock options is as follows:

	December 31, 2022		December 31, 2021	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Options outstanding, beginning of period	14,600,000	3.18	15,085,000	3.31
Granted	-	-	3,000,000	1.89
Exercised	-	-	(1,875,000)	(1.05)
Expired/cancelled	(4,600,000)	4.03	(1,610,000)	4.46
Options outstanding, end of period	10,000,000	2.79	14,600,000	3.18

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

The options outstanding and exercisable at December 31, 2022 were as follows:

Outstanding Options				Exercisable Options	
Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life		Number Exercisable	Weighted Average Exercise Price \$
1,500,000	0.95	0.28		1,500,000	0.95
150,000	1.57	0.28		150,000	1.57
300,000	7.70	0.28		300,000	7.70
500,000	3.47	0.08		500,000	3.47
285,000	4.60	0.43		285,000	4.60
4,265,000	3.57	2.07		4,265,000	3.57
3,000,000	1.89	3.90		1,000,000	1.89
10,000,000	2.79	2.13		8,000,000	3.02

The options outstanding and exercisable at December 31, 2021 were as follows:

Outstanding Options				Exercisable Options	
Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life		Number Exercisable	Weighted Average Exercise Price \$
1,750,000	0.95	0.43		1,750,000	0.95
1,775,000	1.57	0.55		1,775,000	1.57
1,750,000	7.70	0.80		1,750,000	7.70
800,000	3.47	1.08		800,000	3.47
335,000	4.60	1.43		335,000	4.60
5,190,000	3.57	3.07		-	3.57
3,000,000	1.89	4.90		-	1.89
14,600,000	3.18	2.40		6,410,000	3.47

For the year ended December 31, 2022, the total share-based payment expense was \$2,828,000 (period ended December 31, 2021: \$10,015,000).

Loss per share

As the Company has made a loss for the year ended December 31, 2022, all options and warrants on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options and warrants could potentially dilute basic earnings per share in the future. There are 8,000,000 fully vested options and 28,527,371 warrants as at December 31, 2022. A further 2,000,000 options will vest and become exercisable with the potential to become ordinary shares in the next two financial years. Since the end of the financial year, no further options or warrants have been issued and no options or warrants have been exercised.

Nature and purpose of reserves

The option reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

The warrant reserve is used to recognize the value of equity-settled call options provided as compensation to financing underwriters, if any.

The Comet Well Deferred Consideration reserve was used to recognize the value of the Subsequent Consideration Shares. See note 6 for further details.

The foreign currency translation reserve is used to recognize exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The reserve of financial assets at FVTOCI is used to recognize movements in fair value of investments where an irrevocable election has been made at initial acquisition to present fair value movements in OCI.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021

A reconciliation of the Company's annual movement in accumulated OCI is as follows:

	Movement in FVTOCI \$'000	Foreign exchange on translation of subsidiaries \$'000	Total \$'000
Balance as at December 31, 2020 restated	6,028	299	6,327
APM Shares	45	-	45
Calidus shares	2,470	-	2,470
E3D shares	9,813	-	9,813
Essential Metals	36	-	36
Kalamazoo shares	(2,025)	-	(2,025)
GBM shares	(267)	-	(267)
New Found shares	27,450	-	27,450
Deferred tax on marketable securities	(3,181)	-	(3,181)
Foreign exchange on translation of subsidiaries	-	(14,696)	(14,696)
Total	34,341	(14,696)	19,645
Balance as at December 31, 2021	40,369	(14,397)	25,972
E3D shares	1,129	-	1,129
SCM shares	282	-	282
Kalamazoo shares	(1,536)	-	(1,536)
GBM shares	(739)	-	(739)
New Found shares	(31,050)	-	(31,050)
Deferred tax on marketable securities	1,933	-	1,933
Foreign exchange on translation of subsidiaries	-	(1,619)	(1,619)
Total	(29,981)	(1,619)	(31,600)
Balance as at December 31, 2022	10,388	(16,016)	(5,628)

16. REVENUE

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
<i>Revenue from contracts with customers earned during mine development</i>		
Gold sales	-	82,223
Silver sales	-	163
<i>Revenue from contracts with customers earned after mine development</i>		
Gold sales	91,897	29,805
Silver sales	146	52
Total	92,043	112,243

17. COST OF SALES

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Cost of production	83,500	88,230
Depreciation, depletion and impairment	20,097	19,535
Royalties	6,540	7,852
Treatment and refining charges	191	255
Changes in inventory	5,351	(5,105)
Total	115,679	110,767

18. GENERAL ADMINISTRATION

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Accounting and audit	628	504
Consulting services	1,120	1,068
Insurance	982	2,185
Legal fees	767	472
Office and general	3,670	3,949
Share based payments	2,828	10,015
Wages and salaries	4,771	6,901
Total	14,766	25,094

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021**19. EXPLORATION EXPENDITURE**

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Field work	16,078	7,344
Drilling & assay costs	12,677	1,396
Office and general	1,360	868
Tenement administration	2,989	2,333
Impairment	-	177
Total	33,104	12,118

20. IMPAIRMENT OF NON-CURRENT ASSETS

Each asset or CGU is evaluated at each reporting period to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

The following indicators of impairment were identified during the year ended December 31, 2022:

- (i) the Company's market capitalisation has decreased below the Company's consolidated net asset value,
- (ii) the November 2022 updated mineral resource estimate, the current inflated cost environment in the mining industry, and a tight Western Australian labour market, all of which suggest that the economic performance of the Fresh component of the Beatons Creek Project may be worse than previously expected, and
- (iii) the current uncertainty regarding the timing of the receipt of the requisite approvals for the Fresh component of the Beatons Creek Project mineral resource.

Based on certain factors mentioned above, the Company has placed the Beatons Creek Project into care and maintenance until economic conditions become more favourable. Considering these conditions arose during the year ended December 31, 2022, the Company has determined that the Beatons Creek Project should be assessed for impairment.

Due to the current status of the Beatons Creek Project the recoverable amount of the non current assets within the CGU was determined on a stand alone basis using the estimated fair value less costs of disposal ("FVLCD").

The following impairment charge was recognized during the year ended December 31, 2022 to record the assets in the CGU at their estimated recoverable amounts:

Details	Carrying value \$'000	Impairment loss \$'000	Foreign exchange \$'000	Recoverable amount \$'000
Mine development asset ¹	4,305	-	-	4,305
Property, plant and equipment ²	59,785	(48,064)	1,071	12,792
Inventory ³	4,642	-	-	4,642
Total	68,732	(48,064)	1,071	21,739

¹ - The recoverable amount of the mine development asset was determined using a mineral resource multiple of AUD\$34 per ounce provided by an independent party

² - The FVLCD for property, plant and equipment was determined by an independent valuer during the year ended December 31, 2022, using the depreciated replacement cost less the estimated costs of dismantling, relocating the asset and other costs of disposal with an appropriate risk weighting applied.

³ - Inventory is carried at the lower of cost and net realisable value.

The fair values methodologies adopted for the mine development asset and property, plant and equipment are considered to be level 3 fair value measurements in the fair value hierarchy.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****21. OTHER INCOME / (OTHER EXPENSES)**

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Change in fair value of warrants	(290)	(1,403)
Gain on derivative asset at fair value through profit and loss	22,275	-
Foreign exchange (loss) / gain	(322)	(144)
Other income	2,002	413
Profit on disposals of assets	-	2,494
Derecognition of associate (New Found)	-	85,636
Share of loss of associate (New Found)	-	3,951
Total	23,665	90,947

22. FINANCE ITEMS

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Interest income on bank deposits	967	91
Finance income	967	91
Deferred consideration accretion expense	-	2
Derivative liability change in fair value	(378)	(710)
Lease interest expense	1,357	3,093
Rehabilitation provision accretion expense	1,030	473
Sprott debt facility interest	9,993	7,272
Special warrants change in fair value	-	4,627
Special warrants financing costs	-	1,759
Sumitomo liability change in fair value	(2,942)	(88)
Finance costs	9,060	16,428

23. INCOME TAXES

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Major components of tax expense		
Current income tax:		
Current tax expense	6,053	-
Deferred income tax:		
Deferred tax expense relating to the origination and reversal of temporary differences	(7,265)	7,145
Income tax (benefit) / expense	(1,212)	7,145
Deferred tax charged directly to equity and OCI		
Deferred tax expense relating to unrealised gains on marketable securities and share issue costs	(1,933)	3,181
Recognised in OCI and equity	(1,933)	3,181
Reconciliation between tax expense and accounting loss before income tax:		
Pre-tax accounting (loss) / profit	(106,630)	6,441
Tax at the applicable rate of 27%	(28,790)	1,739
Tax effect of non-deductible expenses		
Fines	-	10
Non-deductible entertainment / legal fees / consulting fees	21	(3,326)
Other non-deductible items / assessable items	1,958	1,006
Permanent differences relating to the gain on the derivative asset	(3,020)	-
Permanent differences relating to special warrants change in fair value and gain on derecognition of associate	-	(5,173)
Over/ under provisions	(775)	(2,400)
Difference in tax rate	(3,483)	(1,718)
Movement in deferred tax balances not recognised	32,877	17,007
Tax (benefit) / expense	(1,212)	7,145

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021**

	December 31, 2022 \$'000	December 31, 2021 \$'000
Deferred tax assets and liabilities		
Non-capital losses	61,351	42,806
Capital losses	-	286
Other	8,952	11,458
Deferred tax assets	70,303	54,550
Deferred tax liabilities		
Marketable securities	(2,369)	(17,534)
Property, plant and equipment	8,812	422
Exploration and evaluation assets	(19,298)	(18,943)
Mine development assets	5,470	2,462
Off-set with deferred tax assets	6,143	23,267
Deferred tax liabilities	(1,242)	(10,326)
Unrecognized deferred tax assets	64,160	31,283
Net deferred tax assets	-	-

24. RELATED PARTY DISCLOSURES*Key Management Personnel Disclosures*

During the years ended December 31, 2022 and 2021, the following amounts were incurred with respect to the key management and directors of the Company:

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
Consulting services - short term employee benefits	180	180
Wages and salaries - short term employee benefits	1,346	2,068
Share-based payments	2,143	4,335
Total	3,669	6,583

25. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ending December 31, 2022 \$'000	Year ending December 31, 2021 \$'000
<i>Investing activities</i>		
Deductions to exploration and evaluation assets	(359)	(1,343)
Additions to right of use assets	-	14,020
Issuance of shares for mineral properties	-	5,229
<i>Financing activities</i>		
Issuance of shares for settlement of Sumitomo funding liability	3,180	188
Amortised cost adjustment on remeasurement of Credit Facility	5,630	-

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

26. FINANCIAL INSTRUMENTS

a) Fair value

The Company's financial instruments include cash, short-term investments, other receivables, marketable securities, accounts payable, lease liabilities and accrued liabilities. Prior to December 31, 2022, the Company's financial instruments also included, the Sumitomo funding liability, the Credit Facility, and the derivative liability. 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, accounts payable, accrued liabilities and lease liabilities approximate their respective fair values due to their short-term nature. The Sumitomo funding liability and its related embedded derivatives was measured in their entirety as at FVTPL, except to the extent that the change in fair value was attributable to changes in credit risk of the Sumitomo funding liability in which case it was presented in OCI. The Credit Facility was initially recognized at fair value and was subsequently measured at amortized cost using the effective interest rate method. The Credit Facility was repaid in full on August 11, 2022 (refer to note 12). The derivative liability was initially recognized at fair value and was subsequently measured in its entirety at FVTPL.

Financial Instruments carried at fair value:

- The marketable securities for listed shares are measured using Level 1 inputs. The fair value of marketable securities are measured at the closing market price obtained from the TSX-V and the Australian Securities Exchange.
- The marketable securities balance for the GBM Warrants is measured using Level 2 inputs. The fair values of the GBM Warrants have 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 fair value of USD \$6.27 which represents the price at which E3D raised funds during the year Refer to note 5.
- The marketable securities balance held in SCM is measured using Level 3 inputs. The value of the shares held in SCM was determined using the fair value of USD \$0.25 which represents the price at which SCM raised funds. Refer to note 5.
- The Sumitomo funding liability balance was measured using Level 3 inputs. The fair value of the liability at December 31, 2021 represented the contractual value that the Company would repay if Sumitomo were to exercise their Reimbursement Option.
- 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

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

	Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at December 31, 2022				
Financial assets at Fair Value				
Marketable securities	2,380	9	18,312	20,701
Total December 31, 2022	2,380	9	18,312	20,701
As at December 31, 2021				
Financial assets at Fair Value				
Marketable Securities	139,401	301	16,507	156,209
Financial Liabilities at Fair Value				
Sumitomo funding liability	-	-	5,780	5,780
Derivative liability	-	-	378	378
Total December 31, 2021	139,401	301	22,665	162,367

	December 31, 2022 \$'000	December 31, 2021 \$'000
Reconciliation of the fair value measurement of Level 3 unlisted investments		
Opening balance	16,507	6,610
Additions	397	-
Remeasurement recognised through other comprehensive income	1,408	9,897
Remeasurement recognised through profit and loss	-	-
Closing balance	18,312	16,507
Reconciliation of the fair value measurement of Level 3 financial liabilities		
Opening balance	6,158	7,055
Purchases	-	-
Settlement	(3,180)	-
Remeasurement recognised through profit and loss	(3,320)	(710)
Foreign currency translation adjustment	342	(187)
Closing balance	-	6,158

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 their carrying amount as per the statement of financial position.

c) Foreign exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk, primarily 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 Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****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 cash needs over the short-term. The Company has a practice of paying its outstanding payables within 30 days.

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

As at December 31, 2022	Within 1 year \$'000	Within 1-2 years \$'000	Within 2-3 years \$'000	Within 3+ years \$'000	Total \$'000
Trade and other payables	6,252	-	-	-	6,252
Leases	4,765	2,190	207	-	7,162

As at December 31, 2021	Within 1 year \$'000	Within 1-2 years \$'000	Within 2-3 years \$'000	Within 3+ years \$'000	Total \$'000
Trade and other payables	19,805	-	-	-	19,805
Leases	13,781	13,734	6,988	50	34,553
Sumitomo funding liability	5,780	-	-	-	5,780
Credit facility	10,966	28,532	19,843	-	59,341

e) Price Risk

The Company is exposed to price risk with respect to its marketable securities. At December 31, 2022, a 5% movement in the market value of marketable securities would have resulted in a movement of \$344,000 in net equity (December 31, 2022: \$7,795,000). For the year ended December 31, 2022, the Company did not enter or hold any commodity derivatives (period ended December 31, 2021: \$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 exposure to interest rates for the Company is considered minimal.

27. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its business objectives. A flexible capital structure which optimizes the costs of capital at an acceptable risk is maintained by the Company.

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

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

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements**For the years ended December 31, 2022 and 2021****28. SEGMENT INFORMATION**

The Company's reportable operating segments consists of mining and exploration operations and are reported in a manner consistent with internal reporting used to assess the performance of each segment and make decisions about resources to be allocated to the segments. On this basis the Company's reportable segments are as follows:

- mining operations, which include the Company's development, production and administration in relation to the Beatons Creek Project; and
- exploration operations.

The information reported below as at and for the year ended December 31, 2022 and the period ended December 31, 2021 is based on the information provided to the Chief Executive Officer.

December 31, 2022				
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Revenue	92,043	-	-	92,043
Results				
Provision for closure and reclamation	(1,030)	-	-	(1,030)
Depreciation	-	(1,622)	-	(1,622)
Lease interest expense	(1,290)	(67)	-	(1,357)
Impairment of mine development asset, property, plant & equipment and right of use asset	(48,064)	-	-	(48,064)
Exploration expenditure	-	(33,104)	-	(33,104)
Unallocated corporate expenses	-	-	(8,570)	(8,570)
Other income	-	-	23,665	23,665
Interest revenue	-	-	967	967
Finance costs	-	-	(6,673)	(6,673)
Segment result - net profit / (loss) for the period before tax	(89,327)	(26,285)	8,982	(106,630)
Total assets	115,325	90,440	50,396	256,161
Additions to non current assets	3,506	1,472	-	4,978
Total liabilities	46,257	14,570	7,366	68,193
By location				
		Australia \$'000	North America \$'000	Total \$'000
Non current assets by location		178,930	-	178,930
Revenue from external customer - gold and silver sales		92,043	-	92,043
December 31, 2021				
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Revenue	112,243	-	-	112,243
Results				
Provision for closure and reclamation	(473)	-	-	(473)
Depreciation	-	(933)	-	(933)
Other income	-	14,472	85,636	100,108
Lease interest expense	(2,983)	(110)	-	(3,093)
Impairment of mine development asset, property, plant & equipment and right of use asset	(46,905)	-	-	(46,905)
Exploration expenditure	-	(12,118)	-	(12,118)
Unallocated corporate expenses	-	-	(18,850)	(18,850)
Interest revenue	-	-	91	91
Finance costs	-	-	12,862	12,862
Segment result - net profit / (loss) for the period before tax	(48,885)	1,311	54,015	6,441
Total assets	208,533	71,357	182,792	462,682
Additions to non current assets	16,323	264	178	16,765
Total liabilities	82,778	10,998	54,644	148,420
By location				
		Australia \$'000	North America \$'000	Total \$'000
Non current assets by location		257,221	-	257,221
Revenue from external customer - gold and silver sales		112,243	-	112,243

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

29. SUBSEQUENT EVENTS

- a) On January 20, 2023, the Company issued 8,431 common shares to the Creasy Group in exchange for a 100% interest in mining lease 45/202 and a 70% interest in mining lease 45/1163. The shares are subject to a statutory hold period expiring on May 20, 2023.
- b) On March 9, 2023, the Company announced the acquisition of residual 50% joint venture interests in the Queens Project from Kalamazoo and the Malmsbury Project from GBM. The acquisition of the residual interests is subject to receipt of approval from the TSX and receipt of written consents and approval from the Victorian Department of Jobs, Precincts and Regions.

Malmsbury Project

Novo has agreed to pay A\$1 million and issue 4,037,872 common shares and 2,018,936 transferable warrants (collectively, the “GBM Securities”) to GBM for its residual 50% interest in the Malmsbury Project, with each warrant entitling GBM to purchase one additional common share of the Company at a price of C\$0.60 for a period of 24 months from the date of issuance. All of the GBM Securities will be subject to a statutory hold period expiring four months and one day following their date of issuance, along with an additional contractual hold period expiring 12 months from their date of issuance.

In addition, the Maximum Royalty has been retained by GBM. Malmsbury is potentially encumbered by certain pre-existing royalties for which GBM has indemnified Novo.

Queens Project

Novo has agreed to pay A\$0.75 million and issue 2,088,554 common shares (the “Kalamazoo Securities”) to Kalamazoo for its 50% interest in the Queens Project on an encumbrance-free basis. The royalty previously held by Kalamazoo has been terminated in conjunction with this acquisition. All of the Kalamazoo Securities will be subject to a statutory hold period expiring four months and one day following their date of issuance, along with an additional contractual hold period expiring 12 months from their date of issuance.