



NOVO RESOURCES CORP.

(TSX: NVO; OTCQX: NSRPF)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE SIX MONTHS ENDED
JUNE 30, 2022 AND 2021**

(Expressed in Canadian Dollars)

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

	Note	June 30, 2022 \$'000	December 31, 2021 \$'000
ASSETS			
Current assets			
Cash		74,737	32,345
Short-term investments		147	108
Inventory	3	12,803	9,646
Receivables	4	4,418	6,127
Prepaid expenses and deposits		1,055	1,159
Financial asset	5	16,281	-
Non-current asset classified as held for sale - marketable security	6	38,947	-
Total current assets		148,388	49,385
Non-current assets			
Marketable securities	6	18,958	156,209
Exploration and evaluation assets	7	144,598	149,928
Property, plant and equipment	8	64,541	74,337
Right of use assets	9	5,411	25,778
Mine development assets	10	3,353	6,968
Gold specimens		73	77
Total non-current assets		236,934	413,297
Total assets		385,322	462,682
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	18,454	16,894
Provisions	11	6,312	2,911
Lease liabilities	12	7,987	12,453
Credit facility	13	51,544	6,339
Derivative liability	13	17	-
Sumitomo funding liability	15	-	5,780
Sumitomo written call option	15	-	1,083
Tax payable	6	1,509	-
Total current liabilities		85,823	45,460
Non-current liabilities			
Lease liabilities	12	5,094	18,530
Credit facility	13	-	37,384
Derivative liability	13	-	378
Rehabilitation provision	14	33,248	36,342
Deferred tax liability	6	8,630	10,326
Total non-current liabilities		46,972	102,960
Total liabilities		132,795	148,420
SHAREHOLDERS' EQUITY			
Share capital	16	391,961	388,781
Reserves	16	59,193	57,445
Accumulated other comprehensive gain	16	(8,944)	25,972
Accumulated deficit		(189,683)	(157,936)
Total shareholders' equity		252,527	314,262
Total shareholders' equity and liabilities		385,322	462,682

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on August 15, 2022. They are signed on the Company's behalf by:

<u>"Ross Hamilton"</u> Ross Hamilton	<u>"Michael Barret"</u> Michael Barrett
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Novo Resources Corp.

(Expressed in Canadian Dollars)

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income
 (Unaudited)

		Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
		\$'000	restated Note 2 \$'000	\$'000	restated Note 2 \$'000
Revenue	17	29,685	31,704	61,560	39,422
Cost of goods sold	18	(42,524)	(31,704)	(79,899)	(39,422)
Gross loss from mine operations		(12,839)	-	(18,339)	-
General administration	19	(3,553)	(7,409)	(7,554)	(15,052)
Exploration expenditure	20	(11,351)	(2,097)	(15,389)	(4,945)
(Loss) / profit on disposal of exploration asset	7	-	(191)	-	14,749
Loss from operations		(27,743)	(9,697)	(41,282)	(5,248)
Other income, net	22	18,283	2,915	18,953	1,006
Finance items					
Finance income	23	183	12	193	20
Finance costs	23	(7,340)	(9,750)	(7,413)	(11,184)
Net loss for the period before tax		(16,617)	(16,520)	(29,549)	(15,406)
Income tax expense		(2,198)	-	(2,198)	-
Net loss for the period after tax		(18,815)	(16,520)	(31,747)	(15,406)
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	16	(10,196)	704	(28,894)	(1,981)
Foreign exchange on translation of subsidiaries - to be reclassified to profit or loss in subsequent periods	16	(9,451)	(6,824)	(6,022)	(12,082)
Total other comprehensive loss		(19,647)	(6,120)	(34,916)	(14,063)
Comprehensive loss for the period		(38,462)	(22,640)	(66,663)	(29,469)
Weighted average number of common shares outstanding		248,541,466	236,525,772	248,293,389	233,849,893
Basic and diluted loss per common share (\$ per share)		(0.08)	(0.07)	(0.13)	(0.07)

Novo Resources Corp.
(Expressed in Canadian Dollars)
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2022 and 2021
(Unaudited)

	Note	Number of Shares (unrounded)	Share Capital Amount \$'000	Treasury Shares \$'000	Option Reserve \$'000	Warrant Reserve \$'000	Comet Well Deferred Considerati on 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 as previously reported		230,353,507	347,166	(2,571)	31,137	16,293	3,354	6,028	5,557	(77,525)	329,439
Change in accounting policy - adopted in 2021	2	-	-	-	-	-	-	-	(5,258)	(79,707)	(84,965)
Balance – December 31, 2020 restated		230,353,507	347,166	(2,571)	31,137	16,293	3,354	6,028	299	(157,232)	244,474
Other comprehensive loss for the period		-	-	-	-	-	-	(1,981)	(12,082)	-	(14,063)
Loss for the period		-	-	-	-	-	-	-	-	(15,406)	(15,406)
Comprehensive loss for the period		-	-	-	-	-	-	(1,981)	(12,082)	(15,406)	(29,469)
Stock option exercises	16	625,000	838	-	-	-	-	-	-	-	838
Share-based payments	16 & 19	-	-	-	6,987	-	-	-	-	-	6,987
Queens project share issuance	7	584,215	1,875	-	-	-	-	-	-	-	1,875
Comet Well share issuance	7	1,198,395	3,354	-	-	-	(3,354)	-	-	-	-
Malmsbury project share issuance	7	1,575,387	3,450	-	-	-	-	-	-	-	3,450
Movement in treasury shares - Investment in associate		-	-	40	-	-	-	-	-	-	40
Conversion of special warrants	16	10,353,000	31,027	-	-	-	-	-	-	-	31,027
Share issue costs	16	-	(59)	-	-	-	-	-	-	-	(59)
Balance – June 30, 2021		244,689,504	387,651	(2,531)	38,124	16,293	-	4,047	(11,783)	(172,638)	259,163
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		-	-	-	-	-	-	(28,894)	(6,022)	-	(34,916)
Loss for the period		-	-	-	-	-	-	-	-	(31,747)	(31,747)
Comprehensive loss for the period		-	-	-	-	-	-	(28,894)	(6,022)	(31,747)	(66,663)
Share-based payments	16 & 19	-	-	-	1,748	-	-	-	-	-	1,748
Share issuance - Sumitomo	15	3,382,550	3,180	-	-	-	-	-	-	-	3,180
Balance – June 30, 2022		249,322,054	391,961	-	42,900	16,293	-	11,475	(20,419)	(189,683)	252,527

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

	Note	Three months ended June 30		Six months ended June 30	
		2022 \$'000	2021 restated Note 2 \$'000	2022 \$'000	2021 restated Note 2 \$'000
Operating activities					
Net loss for the period		(16,617)	(16,520)	(29,549)	(15,406)
Adjustments:					
Finance income	23	(183)	(12)	(193)	(20)
Finance costs	23	6,902	8,230	6,405	9,634
Depreciation - fixed assets	8	7,225	389	14,249	777
Depreciation - right of use assets	9	3,097	3,294	6,155	6,327
Foreign exchange		2,009	1,869	(404)	(2,552)
Share-based payments	19	456	2,660	1,748	6,987
Share of profit in associate		-	(2,545)	-	(1,579)
Profit on sale of tenements	7	-	191	-	(14,749)
Change in fair value change of derivative asset		(18,509)	-	(18,509)	-
Change in fair value of marketable securities	6	292	(208)	221	(1,374)
Total non-cash adjustments		1,289	13,868	9,672	3,451
Changes in non-cash operating working capital:					
Accounts payable and accrued liabilities		6,353	2,171	5,360	6,447
Prepaid expenses and deposits		(166)	(533)	103	(640)
Receivables		770	3,476	1,709	(3,465)
Inventory		(2,603)	(3,875)	(3,156)	(6,178)
		4,354	1,239	4,016	(3,836)
Interest income		183	12	193	20
Interest paid	14	(1,208)	(1,097)	(2,346)	(2,093)
Net cash used in operating activities		(11,999)	(2,498)	(18,014)	(17,864)
Investing activities					
Purchase of property, plant and equipment	8	(448)	(768)	(2,322)	(2,665)
Payments for mine development	10	(691)	(445)	(764)	(7,526)
Proceeds from sale of exploration assets	7	-	-	-	9,432
Proceeds from sale of marketable securities	6	68,888	577	68,888	964
Acquisition of exploration and evaluation assets	7	-	(240)	-	(240)
Net cash used in / (generated from) investing activities		67,749	(876)	65,802	(35)
Financing activities					
Proceeds from credit facility	14	-	6,288	-	6,288
Credit facility transaction costs	14	-	(135)	-	(135)
Payment of Comet Well deferred consideration	7	-	-	-	(2,946)
Issuance of special warrants	16	-	25,563	-	25,563
Share issue costs	16	-	(59)	-	(59)
Payment of principal portion of lease liabilities	12	(2,895)	(2,698)	(5,681)	(4,905)
Sumitomo funding		342	-	342	-
Net cash (used in) / generated from financing activities		(2,553)	28,959	(5,339)	23,806
Net change in cash		53,197	25,585	42,449	5,907
Effect of exchange rate changes on cash		(243)	(160)	(57)	(175)
Cash, beginning of the period		21,783	20,801	32,345	40,494
Cash, end of the period		74,737	46,226	74,737	46,226

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six months ended June 30, 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’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, developing, and mining natural resource properties with a focus on gold, particularly the Beatons Creek gold project (the “Beatons Creek Project”). The Company’s registered office is located at Suite 2900, 595 Burrard Street, Vancouver, British Columbia, V7X 1J5, Canada. The Company’s 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). The accounting policies adopted are consistent with those disclosed in the Company’s most recent annual consolidated financial statements. These condensed interim consolidated financial statements do not include all of the information and note disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and therefore should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2021.

New and amended accounting standards and interpretations adopted by the Company

All new and amended accounting standards and interpretations effective from January 1, 2022 have been adopted with no impact on the Company during the period.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. These condensed interim 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 condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are 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 review affects both current and future periods.

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

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****Change in accounting policy – exploration and evaluation assets**

As fully disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2021, the Company adopted a voluntary change to its accounting policy for exploration and evaluation expenditures in the last quarter of the year ended December 31, 2021 and has applied the change retrospectively. As a result, balances of comparative periods have been restated. Under the new policy, the Company recognizes these expenditures as exploration and evaluation costs in the condensed interim consolidated statements of profit or loss and other comprehensive income in the period incurred until management concludes the technical feasibility and commercial viability of a mineral deposit has been established. Costs that represent the acquisition of rights to explore a mineral deposit continue to be capitalized. Prior to December 31, 2021, the Company's policy was to capitalize all exploration and evaluation expenditures as exploration and evaluation assets.

Impact of the change in accounting policy

The Company reclassified all post-acquisition exploration and evaluation expenditures that were (i) capitalized as exploration and evaluation assets, and (ii) included in mine development assets in the statement of financial position, to exploration and evaluation expenditure in the statements of profit and loss and other comprehensive income or loss. Initial acquisition costs of the Beatons Creek Project were unaffected by the change in accounting policy. Other than acquisition costs, all capitalized amounts for exploration and evaluation assets associated with the Company's other projects were retrospectively expensed.

All Australian research and development tax incentive credits associated with exploration costs that were offset against exploration and evaluation assets have been reclassified to profit and loss in accordance with the Company's stated accounting policy.

The adjustment arising from the reclassification of post-acquisition exploration and evaluation expenditure has been translated into the presentation currency of the Company in accordance with the Company's stated accounting policy for foreign currencies using the relevant average exchange rates. As a result of the change in accounting policy, cash outflows relating to post acquisitions exploration and evaluation expenditure have been reclassified from investing to operating activities in the condensed interim consolidated statements of cash flows.

The impact of the change in accounting policy on the consolidated statement of financial position at December 31, 2021 was disclosed in the Company's annual consolidated financial statements for the year then ended. As a result of the accounting policy change, the Company recorded the following adjustments to specific account balances, in the condensed interim statement of profit or loss and other comprehensive income.

Condensed interim consolidated statements of profit or loss and other comprehensive income

	For the six months period ended June 30, 2022		
	Balance prior to effects of restatement	Policy change adjustment	Restated balance
	\$'000	\$'000	\$'000
Exploration expenditure	-	(15,389)	(15,389)
Net loss for the period before tax	(14,160)	(15,389)	(29,549)
Net loss for the period after tax	(14,160)	(15,389)	(29,549)
Other comprehensive loss - foreign exchange on translation of subsidiaries	(5,741)	(281)	(6,022)
Comprehensive loss for the period	(50,453)	(15,670)	(66,123)
Basic and diluted loss per common share (\$ per share)	(0.13)	(0.00)	(0.13)

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021**

	For the six months period ended June 30, 2021		
	Previously reported \$'000	Policy change adjustment \$'000	Restated balance \$'000
Exploration expenditure	-	(4,945)	(4,945)
Impairment of exploration and evaluation assets	(2,543)	2,543	-
Profit on disposal of exploration asset	13,896	853	14,749
Net loss for the period before tax	(13,858)	(1,549)	(15,407)
Net loss for the period after tax	(13,858)	(1,549)	(15,407)
Other comprehensive income / (loss) - foreign exchange on translation of subsidiaries	(18,239)	6,157	(12,082)
Comprehensive profit / (loss for the period)	(34,077)	4,608	(29,469)
Basic and diluted (loss per common share (\$ per share))	(0.06)	(0.01)	(0.07)

Condensed interim consolidated statements of cash flows

	For the six months period ended June 30, 2021		
	Previously reported \$'000	Policy change adjustment \$'000	Restated balance \$'000
Net cash used in operating activities	(5,099)	(12,142)	(17,241)
Net cash generated from / used in investing activities	(12,800)	12,142	(658)

Basis of consolidation

These condensed interim 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 June 30, 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%

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****Going concern**

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of business activities, including ongoing exploration commitments and the winding down of operations at the Beatons Creek Project through the latter half of 2022, and the realization of assets and settlement of liabilities in the normal course of business.

For the six-month period ended June 30, 2022, the Company reported operating cash outflows of \$18,014,000 (June 30, 2021: \$17,864,000) and investing cash inflows of \$65,802,000 (June 30, 2021: outflows \$35,000). The Company had cash on hand and short-term investments of \$74,884,000 at June 30, 2022 and \$74,647,000 at August 15, 2022.

On April 12, 2022, the Company agreed to sell its 15 million New Found shares to a corporation controlled by Eric Sprott for gross proceeds of approximately \$125.9 million pursuant to arm's length negotiations ("Transaction"). The first tranche of the Transaction totalled 8.25 million New Found shares at \$8.35 per share for gross proceeds of \$68.9 million and completed on April 27, 2022. The second tranche of the Transaction totalled 6.75 million New Found shares at \$8.45 per share for gross proceeds of \$57 million and was settled on August 5, 2022 ("Tranche 2").

Pursuant to the "Credit Facility" (see Note 13), Sprott Lending consented to the Transaction and advised Novo that it would not require repayment of the Credit Facility in full until settlement of Tranche 2. The Credit Facility was repaid in full on August 12, 2022 (see Note 27), leaving Novo free of long-term debt.

On June 14, 2022 the Company announced the phased wind-down of operations at Beatons Creek throughout the latter half of 2022. As a result, the Company has prepared a cash flow forecast demonstrating that the Company will have access to sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing these condensed interim consolidated financial statements.

The directors have identified a range of options to ensure sufficient funding is available, including the timing of the expenditure, which is at the discretion of the directors, realizing additional liquidity from the potential to dispose of certain of the Company's assets at favourable prices in acceptable timeframes, or a combination thereof. 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 condensed interim consolidated financial statements on a going concern basis.

3. INVENTORY

	June 30, 2022 \$'000	December 31, 2021 \$'000
Consumables	5,221	4,126
Gold in circuit	1,013	788
Stockpiles	6,569	4,732
Total	12,803	9,646

During the period ended June 30, 2022, the Company recorded net realizable value adjustments, recognized in cost of goods sold, of \$2,375,000 (year ended December 31, 2021 - \$2,723,000).

4. RECEIVABLES

	June 30, 2022 \$'000	December 31, 2021 \$'000
Canadian GST receivable	23	49
Australian GST receivable	4,334	5,568
Other receivables at amortized cost	61	510
Total	4,418	6,127

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****5. FINANCIAL ASSET**

	June 30, 2022 \$'000	December 31, 2021 \$'000
Derivatives not designated as hedging instruments		
Forward contract	16,281	-
Total	16,281	-

The derivative represents the fair value of the forward contract recognized for the second tranche of the New Found share sale. Refer to note 6.

6. MARKETABLE SECURITIESCalidus 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 7). 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).

Elementum 3D Inc. – (unlisted)

During the year ended December 31, 2021, Elementum 3D, Inc. (“E3D”) conducted a financing 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. The value allocated to the half warrant based on a Black Scholes valuation is USD \$1.73, resulting in a fair value of USD \$6.27 per E3D common share. The valuation has been 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

Although the Company did not participate in this financing, the Company recognized the increased price as an appropriate indicator of E3D’s fair value and revalued its holdings. As at June 30, 2022 the Company held 2,076,560 common shares of E3D which represents a 12.41% undiluted interest. The Company has recognized its investment in E3D at fair value, being USD \$6.27 (December 31, 2021: USD \$6.27) per E3D common share.

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).

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six months ended June 30, 2022 and 2021

Kalamazoo Resources Limited – (ASX: KZR)

The Company holds 10,000,000 ordinary shares of ASX-listed Kalamazoo Resources Limited (“Kalamazoo”) which represent a 6.89% undiluted interest in Kalamazoo as at June 30, 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 fair value through other comprehensive income / loss (“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 2.21% undiluted interest in GBM as at June 30, 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”).

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, is \$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 for the first tranche of the Transaction resulted in a \$2,228,000 gain recognized through profit and loss

The second tranche of the Transaction totals 6,750,000 New Found shares at \$8.45 per share for gross proceeds of \$57,000,000 and settled on August 5, 2022 (“Tranche 2”) (refer to Note 27). The Tranche 2 New Found shares are subject to escrow provisions. The consent of the TSX-V, on which New Found’s common shares trade, to the transfer of the Tranche 2 shares within escrow has been obtained. The fair value of the forward contract for the second tranche of the Transaction has been recognized on June 30, 2022 at \$16,281,000 (refer to Note 5) and represents the difference between the present value of the contractually agreed sale price of \$8.45 and New Found’s share price on June 30, 2022 adjusted for risk factors.

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A deferred tax liability of \$6,435,000 relating to the capital gains tax on Tranche 2 of the Transaction (refer to Note 27) is recognized as a non-current liability in the condensed statement of financial position as at June 30, 2022. Tax payable of \$1,509,000 comprising the estimated capital gains tax payable on Tranche 1 of the Transaction less available tax losses has also been provided for at June 30, 2022. The full capital gains tax liability is expected to be settled within 12 months of June 30, 2022 and the estimated non-current deferred tax liability for Tranche 2 will, therefore, be reclassified to tax payable during the next interim reporting period.

1342980 B.C. Ltd

On June 14, 2022 the Company participated in 1342980 B.C. Limited's ("134 BC") private placement by purchasing 1,000,000 units at USD\$0.05 per 134 BC Unit for gross consideration of USD\$50,000 (\$61,000).

Each 134 BC unit comprised of one 134 BC ordinary share and one whole common share purchase warrant. Each warrant entitles the Company to purchase one common share of 134 BC at a price of USD\$0.25 per warrant for a period of 12 months following the issuance of the warrants.

The 134 BC common shares have been accounted for as marketable securities and have thus, initially been valued at fair value and subsequently remeasured at FVTOCI.

The 134 BC warrants qualify as a derivative and have initially been recognized at fair value and subsequently remeasured at FVTPL.

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As at June 30, 2022						
	Number of shares	Opening	Additions / (Disposals)	Foreign Exchange	Gains / (Losses)	Closing
FVTOCI	Closing balance	Fair Value				Fair Value
		\$'000	\$'000	\$'000	\$'000	\$'000
Elementum 3D Inc. Common Shares	2,076,560	16,507	-	-	271	16,778
New Found Gold Corp Common Shares	6,750,000	134,700	(68,888)	-	(26,865)	38,947
Kalamazoo Resources Limited Ordinary Shares	10,000,000	3,498	-	(64)	(2,012)	1,422
GBM Resources Ltd Ordinary Shares	11,363,637	1,203	-	(25)	(561)	617
1342980 B.C.Ltd Common Shares	1,000,000	-	61	-	1	62
		155,908	(68,827)	(89)	(29,166)	57,826

As at June 30, 2022						
	Number of securities	Opening	Additions	Foreign Exchange	Losses	Closing
FVTPL	Closing balance	Fair Value	\$'000	\$'000	\$'000	Fair Value
		\$'000				\$'000
GBM Resources Ltd Warrants/Options	5,681,818	301	-	(4)	(220)	77
1342980 B.C.Ltd Warrants	1,000,000	-	3	-	(1)	2
		301	3	(4)	(221)	79

Total marketable securities - current	38,947
Total marketable securities - non current	18,958

As at December 31, 2021							
	Number of shares	Opening	Disposals	Transfer from	Foreign Exchange	Gains / (Losses)	Closing
FVTOCI	Closing balance	Fair Value	\$'000	investment in associate	\$'000	\$'000	Fair Value
		\$'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	16,507
Essential Metals Limited Ordinary shares	-	358	(393)	-	(1)	36	-
New Found Gold Corp Common Shares	15,000,000	-	-	107,250	-	27,450	134,700
Kalamazoo Resources Limited Ordinary Shares	10,000,000	5,852	-	-	(329)	(2,025)	3,498
GBM Resources Ltd Ordinary Shares	11,363,637	1,564	-	-	(94)	(267)	1,203
		16,983	(5,319)	107,250	(528)	37,522	155,908

As at December 31, 2021						
	Number of securities	Opening	Additions	Foreign Exchange	Unrealised Losses	Closing
FVTPL	Closing balance	Fair Value	\$'000	\$'000	\$'000	Fair Value
		\$'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
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NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****7. EXPLORATION AND EVALUATION ASSETS**

	June 30, 2022 \$'000	December 31, 2021 \$'000
Exploration and evaluation assets		
Opening balance	149,928	146,687
Acquisitions		
East Pilbara	2,682	4,224
Victoria	-	7,215
West Pilbara	-	23
Movement in rehabilitation provision	(2,647)	1,933
Impairment	-	(177)
Foreign exchange	(5,365)	(9,977)
Closing balance	144,598	149,928

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.

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. The adjustment of \$2,647,000 (debit - \$1,933,000) relates to the movement in the rehabilitation provision for the Millennium tenements acquired.

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.

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Notes to the Condensed Interim Consolidated Financial Statements

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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 would consolidate 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 is not obtained by June 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. As at June 30, 2022 the Company is still assessing this transaction.

Calidus' Warrawoona Project

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

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.

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The Company can extend the Option Period for another 12 months from the expiry of the Option Period by paying Bellary Dome AUD \$50,000, and another 12 months from the date of expiry of any extended Option Period by paying Bellary Dome an additional 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 mineral resources of at least 250,000 ounces on the Comet Well Project (the "Comet Well Technical Report"). As at the date of these condensed interim consolidated financial statements, mineral 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) mineral 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 Project, 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.

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Artemis Resources Limited Joint Operation

On March 23, 2020, the Company dissolved its 50:50 joint operation with Artemis (the "Dissolution") and acquired a 100% interest in exploration licenses E47/1745 ("Purdy's Reward") and E47/3443 ("47K"). As consideration for the transaction, the Company issued 1,640,000 common shares at a fair value of \$1.61 per share based on the Company's closing price on the TSX-V on March 23, 2020 for total consideration of \$2,640,000, and paid AUD \$820,000 (\$680,000) to Artemis. The Company also issued 360,000 common shares at a fair value of \$1.61 per share for total consideration of \$580,000, paid AUD \$180,000 (\$151,000), and granted a 1% net smelter returns royalty to Sorrento Resources Pty Ltd, one of Artemis' joint venture partners on the 47K project. For both transactions, as the Company determined that it could not reliably measure the fair value of the asset obtained, the shares issued were fair valued based on their trading price at the date of the respective transactions. A finder's fee comprised of 100,000 common shares of the Company, issued at a fair value of \$1.61 per share for total consideration of \$161,000, and a cash payment of AUD \$50,000 (\$42,000) was paid to Battle Mountain Pty Ltd in respect of the transaction.

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 100% interest in alluvial rights over E47/2502 to a depth of three metres below surface.

Victoria, Australia**Malmsbury Project**

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; where such an encumbrance is present, GBM will only be entitled to an adjusted royalty, being the Maximum Royalty less any pre-existing royalty amount.

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Queens Project

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.

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.

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8. 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	-	-	29	-	-	-	-	2,293	-	2,322
Transfers from capital WIP	-	257	2,764	1,362	51	14	-	(4,480)	-	(32)
Foreign exchange	(162)	(28)	(2,812)	(409)	(23)	(13)	(6)	(181)	(57)	(3,691)
Closing balance	4,610	849	80,425	11,899	690	382	169	1,056	1,648	101,728

	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	(392)	(98)	(7,689)	(1,343)	(60)	(34)	(22)	-	-	(9,638)
Foreign exchange	78	13	998	135	10	8	1	-	-	1,243
Closing balance	(2,278)	(397)	(29,812)	(4,103)	(310)	(244)	(43)	-	-	(37,187)

Net book value as at December 31, 2021	2,808	308	57,323	8,051	402	163	153	3,424	1,705	74,337
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Net book value as at June 30, 2022	2,332	452	50,613	7,796	380	138	126	1,056	1,648	64,541
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	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
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Net book value as at December 31, 2021	2,808	308	57,323	8,051	402	163	153	3,424	1,705	74,337
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Refer to note 14 for details of encumbrances on property, plant and equipment.

Refer to note 21 for details of impairment.

NOVO RESOURCES CORP.

(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****9. 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	-	(16,140)	(16,140)
Foreign exchange	(43)	(672)	(715)
Closing balance	1,245	16,076	17,321

	Properties \$'000	Mining Equipment \$'000	Total \$'000
Accumulated depreciation and impairment			
Opening balance - January 1, 2022	(310)	(8,088)	(8,398)
Depreciation	(200)	(5,955)	(6,155)
Lease modification	-	4,481	4,481
Impairment	-	(2,252)	(2,252)
Foreign exchange	53	361	414
Closing balance	(457)	(11,453)	(11,910)

Net book value as at December 31, 2021	978	24,800	25,778
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Net book value as at June 30, 2022	788	4,623	5,411
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	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
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Net book value as at December 31, 2021	978	24,800	25,778
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The Company's mining contract for the Beatons Creek Project includes various items of mining equipment which have been 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 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. Refer to note 12. On June 23, 2022 the Company exercised its right to terminate the lease with 60 day's notice. This lease asset was assessed for impairment after the lease liability remeasurement and an impairment of \$2,252,000 was recognised.

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 term of the laboratory equipment is for three years with an option to extend, which has not been taken into account in the calculation.

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.

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Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****10. MINE DEVELOPMENT ASSET**

	Mine Development Asset \$'000
Gross carrying amount at cost	
Opening balance - January 1, 2022	27,635
Additions	764
Changes in rehabilitation provision	372
Foreign exchange	(971)
Closing balance	27,800

	Mine Development Asset \$'000
Accumulated depreciation and impairment	
Opening balance - January 1, 2022	(20,667)
Depreciation	(4,611)
Foreign exchange	831
Closing balance	(24,447)

Net book value as at December 31, 2021	6,968
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Net book value as at June 30, 2022	3,353
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	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
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Net book value as at December 31, 2021	6,968
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Refer to note 21 for details of impairment.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022 \$'000	December 31, 2021 \$'000
Trade and other payables	3,686	3,247
Accrued expenses	13,660	12,731
Employee entitlements	1,108	916
Total	18,454	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.

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Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****12. LEASE LIABILITIES**

	June 30, 2022 \$'000	December 31, 2021 \$'000
Opening balance	30,983	40,211
Additions	-	14,000
Disposals	-	(46)
Accretion of interest	1,007	3,093
Lease modification	(11,659)	(8,896)
Payments	(6,688)	(14,982)
Foreign exchange	(562)	(2,397)
Closing balance	13,081	30,983
Current	7,987	12,453
Non current	5,094	18,530

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
Expense relating to short term and low value assets	1	53	16	231
Variable lease payments (included in cost of sales)	405	411	891	526

13. LOANS AND BORROWINGS

On September 4, 2020 the Company closed an USD \$60,000,000 financing package (the "Credit Facility") with Sprott Resource Lending Corp. and Sprott Private Resource Lending II (Collector), LP (collectively, "Sprott Lending") to fund the refurbishment of production infrastructure acquired pursuant to the acquisition of Millennium and the development of the Company's Beatons Creek Project.

The Company incurred \$2,724,000 of debt advisory, legal and due diligence fees in conjunction with arranging the Credit Facility. Upon close of the Credit Facility, these transaction costs were attributed to the Credit Facility. These amounts have been included in the respective effective interest rate calculations for the Credit Facility, measured at amortized cost.

Security provided for the Credit Facility includes: a) general security in favour of Sprott Lending, b) a blocked account agreement in favour of Sprott Lending on Conglomerate Gold Exploration (B.V.I.) Ltd.'s bank account, c) contractual assignments to Sprott Lending of certain contractual obligations with the Company and Conglomerate Gold Exploration (B.V.I.) Ltd., d) a debenture of Conglomerate Gold Exploration (B.V.I.) Ltd. charging all of its assets in favour of Sprott Lending, e) an equitable mortgage of Conglomerate Gold Exploration (B.V.I.) Ltd. over its shares in CGE, and f) mining mortgages over mineral tenure held by Beatons Creek Gold Pty Ltd, Nullagine Gold, and Millennium.

The availability of the Credit Facility is subject to certain conditions and covenants, including the maintenance of minimum unrestricted cash and working capital balances.

Pursuant to the terms of the Credit Facility, the Company was able borrow up to USD \$60,000,000 in two tranches, with the first USD \$35,000,000 available immediately and the remaining USD \$25,000,000 ("Sprott Tranche 2") available to be drawn until March 31, 2021, at Novo's sole discretion, upon delivery of a pre-feasibility study acceptable to Sprott Lending on the Company's Beatons Creek Project and the satisfaction of certain other conditions (the "Sprott Tranche 2 Conditions").

On April 7, 2021 the Company amended certain terms of this Credit Facility. The amendment terms included Sprott Tranche 2 being amended to a total USD \$15,000,000 and extended until September 30, 2021 ("Amended Sprott Tranche 2").

Interest accrues on the outstanding principal amount of the Credit Facility at a rate of 8% plus the greater of (i) US three-month LIBOR and (ii) 1.00% per annum. All interest is payable in cash on a monthly basis. In addition, the principal is repayable commencing on December 31, 2022 and quarterly thereafter until September 4, 2024 in eight equal instalments.

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Notes to the Condensed Interim Consolidated Financial Statements

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For the six months ended June 30, 2022 and 2021

The Credit Facility matures on September 4, 2024. The Credit Facility is accounted for as a financial liability subsequently measured at amortized cost.

On September 8, 2020, the Company drew down the initial USD \$35,000,000 tranche, subject to an "original issue discount" of 12.286% of the initial advance, and less transaction costs, for net cash proceeds of USD \$30,509,000 (\$39,932,000). Any subsequent drawdown can be made in minimum amounts of USD \$5,000,000 per draw down, subject to a 2% issue discount at the time of draw and satisfaction of customary conditions precedent.

On April 8, 2021, pursuant to the Amended Sprott Tranche 2, the Company drew down an additional USD \$5,000,000, subject to the 2% issue discount. Net cash proceeds totalled USD \$4,893,000 (\$6,153,000). The remaining USD \$10,000,000 of the Amended Sprott Tranche 2 expired undrawn on September 30, 2021.

The first draw down of the Credit Facility was initially measured at its fair value of USD \$26,806,000 (\$35,359,000). The effective interest rate on the first tranche was approximately 19% per annum, and the Company has paid USD \$1,811,250, (\$2,406,000) of interest payable in cash as at June 30, 2022 (USD \$3,528,000 (\$4,405,000) as at December 31, 2021). Interest has been expensed as an operating cost through profit and loss.

The subsequent USD \$5,000,000 draw down was initially measured at its fair value of USD \$4,802,000 (\$6,040,000) excluding the derivative liability. The 2% discount of USD \$100,000 (\$125,790) was included in determining the amortized cost and the calculation of the effective interest rate of 10% per annum. The Company paid total transaction costs of USD \$107,000 (\$135,000).

The floating interest rate floor of 1% over the base rate and the Company's ability to prepay the outstanding principal balance in whole or in part have been determined to be a single compound embedded derivative that is not closely related to the Credit Facility and is bifurcated and accounted for separately. If the Company elects to prepay the outstanding principal balance in whole or in part, the Company shall pay to Sprott Lending such amount that comprises the difference between the amount of interest that would have accrued and been payable to the second anniversary of any drawdown and interest that has accrued and been paid as at the date of the prepayment on the amount of principal being repaid. At each reporting period, the derivative is fair valued with changes in fair value recorded as a gain or loss in the condensed interim consolidated statement of profit or loss and other comprehensive income ("OCI"). At June 30, 2022, the fair value of the derivative USD \$13,000 (\$17,000) (December 31, 2021 - USD \$298,000 (\$378,000)).

On June 14, 2022 the Company announced the phased wind-down of operations at Beatons Creek, which constituted an event of default under the Credit Facility, as amended. A waiver to this event of default was granted by Sprott Lending on June 14, 2022, with repayment of the outstanding amount of the Credit Facility deferred until the Tranche 2 New Found shares are sold in August 2022 (refer to note 6). The Credit Facility was remeasured as at June 30, 2022 and has been recorded at the total amount repayable of USD \$40 million (\$51,544,000). An amortized cost adjustment of USD \$4,428,387 (\$5,630,000) has been recognised in the statement of profit or loss as a finance cost.

The Credit Facility was repaid in full subsequent to June 30, 2022. Refer to note 27.

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	Credit Facility \$'000	Derivative liability \$'000	Total \$'000
Opening balance January 1, 2022	43,723	378	44,101
Interest and accretion	9,345	-	9,345
Payment of cash component of interest	(2,346)	-	(2,346)
Derivative liability change in fair value	-	(361)	(361)
Foreign exchange gain (loss)	822	-	822
Closing balance - June 30, 2022	51,544	17	51,561
Current	51,544	17	51,561

	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

14. PROVISION FOR CLOSURE AND RECLAMATION

The Company recognized a rehabilitation provision on the acquisition of Millennium and the Beatons Creek Project. The Company has calculated the present value of the closure and reclamation provision at June 30, 2022 using a discount rate of 3.77% and inflation rate of 2.22%. The Company has estimated that payments will be made between 2026 and 2036.

Sensitivity analysis was performed to evaluate the difference by extending and shortening the timeframe by 2 years which provided a net present value of \$33,282,000 and \$34,126,000, respectively.

	June 30, 2022 \$'000	December 31, 2021 \$'000
Opening balance	36,342	28,615
Accretion on discounted obligation	363	473
Change in estimate	(2,273)	9,310
Foreign exchange	(1,184)	(2,056)
Closing balance	33,248	36,342

15. SUMITOMO FUNDING LIABILITY & CALL OPTION*Egina Farmin Arrangement ("EFA")*

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

Under the EFA, Sumitomo Corporation and its wholly owned Australian subsidiary (together, "Sumitomo") had previously agreed to contribute up to USD \$29,660,000 funding to the Project over a 3-year earning period, subject to specific milestones and activity taking place. As at December 31, 2021, Sumitomo had funded AUD \$7,256,000 (CAD \$6,863,000); US\$ 5,000,000 to advance the Project. No further funding was received for the year ended December 31, 2021.

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(Unaudited)

For the six months ended June 30, 2022 and 2021

At any time during the 3-year earning period and upon termination of the funding period, Sumitomo could have elected to either:

- acquire up to 40% participating interest in the Farmin Assets if Sumitomo makes an election to establish a joint arrangement with the Company (the "Farmin Option"); or
- exercise their reimbursement option ("Reimbursement Option") resulting in Novo reimbursing Sumitomo's funding contribution in either cash ("Cash Payment Option") or a variable number of shares ("Share Payment Option") subject to Sumitomo having funded US\$5 million in respect for the exploration phase of the project.

Exercising the Farmin Option extinguished the obligation of the Company to repay Sumitomo any funding contributions previously provided.

The Reimbursement Option is calculated with reference to Sumitomo's funding contributions, which includes certain adjustments including for any notional share of exploration product that Sumitomo has earned over the earning period and, in the case of the Cash Payment Option, accrued interest on the principal outstanding calculated with reference to the London Interbank Offered Rate ("LIBOR") from the date the funding was obtained (the "Reimbursement Payment Amount").

Payment by Novo common shares under the Share Payment Option is subject to specific requirements outlined in the EFA and below. The number of shares to be issued is determined by dividing the Reimbursement Payment Amount by a prescribed issue price.

The prescribed issue price is the higher of:

1. The Company's closing share price of \$2 as at June 7, 2019 (the date of the EFA); or
2. The 15% discounted VWAP of the Company at the time of conversion (determined with reference to the EFA requirements and TSX listing policies).

The Company had a financial liability with respect to the Reimbursement Option as it had an unavoidable contractual obligation to reimburse Sumitomo the full Reimbursement Payment Amount in either cash or a variable number of shares, and the Reimbursement Option is at Sumitomo's discretion at all times.

As a result of the unique features and characteristics of the EFA, the Company had 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 are recognised through profit or loss, except to the extent that the change in fair value is attributable to changes in credit risk of that liability (in which case it is presented in other comprehensive income).

In addition to the financial liability, the EFA had also resulted in a written call option, under which the Company has an obligation to sell a portion of its interest in the Farmin Assets if the counterparty exercises the option. The written call option is a contract to sell a non-financial item, being the physical delivery of a participating interest in the Farmin Assets.

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 the Reimbursement Option under the EFA. In response, Novo exercised the Share Payment Option under the EFA 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 the Reimbursement Option and Novo's exercise of the Share Payment Option, 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 the Share Payment Option and the remaining financial liability and written call option on the date of settlement.

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Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021**

	June 30, 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

	June 30, 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

16. CAPITAL AND RESERVES**Authorized**

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

Shares issued

No common shares were issued during the period ended June 30, 2022. During the year ended December 31, 2021, shares were issued pursuant to a brokered private placement as follows:

- 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 FVTPL. 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 were 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.

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Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021**

	Fair value of special warrants May 4, 2021	Fair value of special warrants May 31, 2021
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

- b) Refer to note 5 and 6 for shares issued to acquire marketable securities and exploration and evaluation assets.

Warrants

The continuity of warrants is as follows:

	June 30, 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	-	-	5,176,500	3.00
Balance, end of the period	24,681,218	4.11	24,681,218	4.11

Full share equivalent warrants outstanding and exercisable as at June 30, 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
		<u>24,681,218</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 stock option and stock bonus plan (the "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 Toronto Stock Exchange.

11,125,000 remaining Options have fully vested as at June 30, 2022. 3,000,000 stock options vest equally over a 3-year period commencing November 2022.

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Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021**

The continuity of stock options is as follows:

	June 30, 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	(475,000)	(1.88)	(1,610,000)	(4.46)
Options outstanding, end of period	14,125,000	3.22	14,600,000	3.18

The options outstanding and exercisable at June 30, 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	0.79	1,500,000	0.95
1,675,000	1.57	0.05	1,675,000	1.57
1,750,000	7.70	0.31	1,750,000	7.70
800,000	3.47	0.59	800,000	3.47
285,000	4.60	0.93	285,000	4.60
5,115,000	3.57	2.58	5,115,000	3.57
3,000,000	1.89	4.40	-	1.89
14,125,000	3.22	2.04	11,125,000	3.58

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	-	1.90
14,600,000	3.18	2.40	6,410,000	3.47

For the period ended June 30, 2022, the total share-based payment expense was \$1,748,000 (period ended June 30, 2021: \$6,987,000).

Loss per share

As the Company has made a loss for the period ended June 30, 2022, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future. Since the end of the period, no further options have been issued and no options have been exercised.

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(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****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 7 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 with functional currencies other than Canadian dollar.

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.

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	271	-	271
1342980 B.C.Ltd shares	1	-	1
Kalamazoo shares	(2,012)	-	(2,012)
GBM shares	(561)	-	(561)
New Found shares	(29,093)	-	(29,093)
Deferred tax on marketable securities	2,500	-	2,500
Foreign exchange on translation of subsidiaries	-	(6,022)	(6,022)
Total	(28,894)	(6,022)	(34,916)
Balance as at June 30, 2022	11,475	(20,419)	(8,944)

17. REVENUE

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
<i>Revenue from contracts with customers earned during mine development</i>				
Gold sales	-	31,634	-	39,333
Silver sales	-	70	-	89
<i>Revenue from contracts with customers earned after mine development</i>				
Gold sales	29,642	-	61,463	-
Silver sales	43	-	97	-
Total	29,685	31,704	61,560	39,422

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(Expressed in Canadian Dollars, unless stated otherwise)

Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****18. COST OF SALES**

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
<i>Costs of sales incurred during mine development</i>				
Cost of sales (including royalties)	-	31,704	-	39,422
<i>Costs of sales incurred after mine development</i>				
Cost of production	36,505	-	63,591	-
Depreciation, depletion and impairment	6,884	-	13,988	-
Royalties	2,224	-	4,459	-
Treatment and refining charges	69	-	175	-
Changes in inventory	(3,158)	-	(2,314)	-
Total	42,524	31,704	79,899	39,422

19. GENERAL ADMINISTRATION

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
Accounting and audit	176	342	356	392
Consulting services	178	508	471	622
Insurance	218	407	436	633
Legal fees	174	216	241	283
Office and general	389	1,756	1,142	2,951
Share based payments	456	2,660	1,748	6,987
Wages and salaries	1,962	1,520	3,160	3,184
Total	3,553	7,409	7,554	15,052

20. EXPLORATION EXPENDITURE

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
Field work	10,583	1,398	14,255	3,560
Office and general	233	205	265	586
Tenement administration	535	494	869	799
Total	11,351	2,097	15,389	4,945

21. IMPAIRMENT OF NON-CURRENT ASSETS

Each asset or cash generating unit("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 potential impairment were identified in the period ended June 30, 2022:

- (i) The market capitalisation has decreased below the Company's net asset value,
- (ii) the current uncertainty regarding the timing of the receipt of the requisite approvals for the Fresh component of the Beatons Creek Project mineral resource, and
- (iii) current indications that the Oxide component of the Beatons Creek Project's estimated economically recoverable mineral resource is not achieving forecast production due to high head grade variability which contributed to the operational wind down of the Beatons Creek Project

Variable head grades compared to forecast are due to previous reliance on wide-spaced grade control drilling which resulted in lower accuracy of the modelled high-nugget effects in the Beatons Creek Oxide mineral resource, combined with higher mining dilution associated with more complex mining areas. A revised mining approach with continued closer-spaced grade control drilling has been implemented to mitigate this risk to the extent possible.

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The recoverable amount of the CGU is based on a fair value less costs of disposal ("FVLCD") analysis which models the projected discounted cash flows expected to be derived from the Beatons Creek Project. The post-tax nominal discount rate used in the current estimate of recoverable amount is 9.2%. In addition, a 35% adjustment was applied to the currently anticipated production volume of the Fresh component of the Beatons Creek Project to reflect estimated economic recoverability from a mineral resource estimate which includes inferred mineral resources.

The recoverable amount of the CGU was assessed at June 30, 2022 and no further impairment has been recognised.

Assumptions

The projected cash flows used in the FVLCD analysis are affected by changes in assumptions for the \$/oz Au resource multiple, gold price, foreign exchange rates, production volume, and discount rates.

The table below summarises the key assumptions used in the assessment performed at June 30, 2022:

Details	2022	2023	2024	2025	Long-Term
Level 2					
Gold price (US\$/oz)	\$1,871	\$1,798	\$1,749	\$1,733	\$1,657
Foreign exchange rate (USD/AUD)	1.36	1.34	1.34	1.34	1.33
Level 3					
Gold recoveries (%)	92%	92%	92%	92%	92%
Discount rate (post-tax)	9.20%	9.20%	9.20%	9.20%	9.20%
Mineral resource modifying factor	35%	35%	35%	35%	35%

The determination of FVLCD was considered to be a level 3 fair value measurement as it is derived from valuation techniques that include inputs that are not based on observable market data. Any variation in these key assumptions may result in further impairment or lead to a reversal of impairment in future periods.

22. OTHER INCOME, NET

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
Change in fair value of warrants	(292)	(208)	(221)	(1,374)
Gain on derivative asset at fair value through profit and loss	18,510	-	18,509	-
Foreign exchange (loss) / gain	(1,015)	338	(433)	561
Gain on expiration on written call option	1,080	-	1,080	-
Other income	-	240	18	240
Share of loss of associate (New Found)	-	2,545	-	1,579
Total	18,283	2,915	18,953	1,006

23. FINANCE ITEMS

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
Interest income on bank deposits	183	12	193	20
Finance income	183	12	193	20
Deferred consideration accretion expense	-	-	-	2
Derivative liability change in fair value	(34)	(67)	(361)	(288)
Lease interest expense	438	1,520	1,008	1,550
Rehabilitation provision accretion expense	218	113	363	182
Sprott debt facility amortized cost adjustment	5,630	-	5,630	-
Sprott debt facility interest	1,772	1,796	3,715	3,442
Special warrants change in fair value	-	4,627	-	4,627
Special warrants financing costs	-	1,759	-	1,759
Sumitomo liability change in fair value	(684)	2	(2,942)	(90)
Finance costs	7,340	9,750	7,413	11,184

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Notes to the Condensed Interim Consolidated Financial Statements**(Unaudited)****For the six months ended June 30, 2022 and 2021****24. RELATED PARTY DISCLOSURES***Key Management Personnel Disclosures*

During the periods ended June 30, 2022 and 2021, the following amounts were incurred with respect to the key management and directors of the Company:

	3 Months ended June 30, 2022 \$'000	3 Months ended June 30, 2021 \$'000	6 Months ended June 30, 2022 \$'000	6 Months ended June 30, 2021 \$'000
Consulting services - short term employee benefits	45	45	90	90
Wages and salaries - short term employee benefits	397	374	812	525
Share-based payments	456	966	1,327	1,419
Total	898	1,385	2,229	2,034

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

The Company's financial instruments include cash, short-term investments, other receivables, marketable securities, financial assets, accounts payable, provisions lease liabilities and accrued liabilities, 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 and accounts payable and accrued 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 is attributable to changes in credit risk of the Sumitomo funding liability in which case it is presented in OCI. The Credit Facility was initially recognized at fair value and is subsequently measured at amortized cost using the effective interest method, but was recognized at the total amount repayable as at June 30, 2022 due to being payable subsequent to the event of default (refer to note 13). The derivative liability was initially recognized at fair value and is subsequently measured in its entirety at FVTPL.

Financial Instruments carried at fair value:

- The marketable securities 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 forward contract is measured using Level 3 inputs, the fair value of the forward contract represents the difference between the present value of the contractually agreed sale price of \$8.45 and New Found's share price on June 30, 2022 adjusted for risk factors.
- 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.

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- 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. Refer to note 6.
- 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.

	Fair Value Hierarchy			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
As at June 30, 2022				
Financial assets at Fair Value				
Marketable securities	40,986	77	16,842	57,905
Financial asset - forward contract	-	-	16,281	16,281
Financial Liabilities at Fair Value				
Sumitomo funding liability	-	-	-	-
Derivative liability	-	-	17	17
Total June 30, 2022	40,986	77	33,140	74,203
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

	June 30, 2022	December 31, 2021
Reconciliation of the fair value measurement of Level 3 unlisted investments		
Opening balance	16,423	6,610
Remeasurement recognised through other comprehensive income	271	9,813
Remeasurement recognised through profit and loss	16,281	-
Closing balance	32,975	16,423
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	(3,303)	(710)
Foreign currency translation adjustment	342	(187)
Closing balance	17	6,158

Financial instruments carried at amortized cost:

- At December 31, 2021, the Credit Facility was measured using Level 3 inputs. The carrying value of the Credit Facility was recognized using the effective interest rate method and was adjusted by the value of the derivative liability. At June 30, 2022 the Credit facility has been recorded at the amount repayable. The carrying value represents the fair value.

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The fair value of the Credit Facility is shown in the table below:

	Carrying Value		Fair Value	
	June 30, 2022 \$'000	December 31, 2021 \$'000	June 30, 2022 \$'000	December 31, 2021 \$'000
Credit facility	51,544	43,723	51,544	44,212

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.

26. SEGMENT INFORMATION

Each of 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 period ended June 30, 2022 and the period ended June 30, 2021 is based on the information provided to the Acting Chief Executive Officer.

Three month ended June 30, 2022				
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Revenue	29,685	-	-	29,685
Segment result - net loss for the period before tax	(18,659)	(7,414)	9,456	(16,617)
Three month ended June 30, 2021				
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Revenue	31,704	-	-	31,704
Segment result - net loss for the period before tax	(1,359)	(5,613)	(9,548)	(16,520)
Six month ended June 30, 2022				
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Revenue	61,560	-	-	61,560
Segment result - net loss for the period before tax	(25,588)	(10,625)	6,664	(29,549)
Six month ended June 30, 2021				
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Revenue	39,422	-	-	39,422
Segment result - net loss for the period before tax	(2,590)	3,813	(16,629)	(15,406)
	Mining operations \$'000	Exploration operations \$'000	Unallocated \$'000	Total \$'000
Total assets - June 30, 2022	169,336	69,161	146,825	385,322
Total liabilities - June 30, 2022	65,027	5,885	61,883	132,795
Total assets - December 31, 2021	208,533	71,357	182,792	462,682
Total liabilities - December 31, 2021	82,778	10,998	54,644	148,420

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27. SUBSEQUENT EVENTS

- a) 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.
- b) On August 5, 2022, the Company closed Tranche 2 of the Transaction for gross proceeds of \$57,038,000. Together with Tranche 1 of the Transaction which settled on April 27, 2022, the Company received gross proceeds of \$125,925,000 from the Transaction and will recognize a gross gain for tax purposes of approximately \$109,200,000. This gain, net of available tax losses, is subject to Canadian capital gains tax which equates to 50% of the gain being taxed at the Company's marginal tax rate which is currently 27%. The Company is in the process of determining its aggregate capital gains tax liability which is due in February 2023 and intends to apply available tax losses in order to decrease any amount payable.
- c) On August 12, 2022, the Company completed repayment of the Credit Facility. The Company paid an aggregate amount of US\$40,144,029 (\$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 is in the process of discharging all security previously granted to Sprott Lending in connection with the Credit Facility.