



Damara Gold Corp.

An Exploration Stage Company

Condensed Consolidated Interim Financial Statements (un-audited)

October 31, 2018

Expressed in Canadian Dollars

DAMARA GOLD CORP.
An Exploration Stage Company
Three Months ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

<u>INDEX</u>	<u>PAGE</u>
• Notice of No Auditor Review	1
• Unaudited Condensed Consolidated Interim Statements of Financial Position	2
• Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss	3
• Unaudited Condensed Consolidated Interim Statements of Changes in Equity	4
• Unaudited Condensed Consolidated Interim Statements of Cash Flows	5
• Notes to the Unaudited Condensed Interim Consolidated Financial Statements	6-14

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

For further information please contact:

Lawrence Nagy, CEO or

Terese Gieselman, CFO

(250) 717-1840

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at October 31, 2018 and July 31, 2017

Expressed in Canadian Dollars

	Note	October 31 2018	July 31 2018
ASSETS			
Current			
Cash and cash equivalents		\$ 267,204	\$ 339,261
Prepays		2,254	5,415
GST Recoverable		15,099	12,097
Total current assets		284,557	356,773
Total Assets		\$ 284,557	\$ 356,773
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	6,11	47,532	49,740
Total current liabilities		47,532	49,740
Shareholders' Equity			
Share Capital	8	31,692,281	31,692,281
Contributed surplus		1,419,262	1,419,262
Deficit		(32,874,518)	(32,804,510)
Total Shareholders' Equity		237,025	307,033
Total Liabilities and Shareholders' Equity		\$ 284,557	\$ 356,773

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy

Lawrence Nagy, Director

/s/ William Yeoman

William Yeoman, Director

See notes to condensed consolidated interim financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (un-audited)

For the three months ended October 31

Expressed in Canadian Dollars

	Note	2018	2017
Expenses			
Administrative and general	11	\$ 70,008	\$ 50,764
Property investigation costs		-	4,233
Total expenses		(70,008)	(54,997)
Other income and expenses			
Gain on sale of available-for-sale investment	5	-	191,815
Gain on settlement of debt	6	-	10,169
Net income (loss) for the period		(70,008)	146,987
Other comprehensive income to be re-cycled through profit or loss			
Realized fair value gain on available-for-sale investment:	5	-	(191,815)
Total other comprehensive income		-	(191,815)
Total comprehensive income (loss) for the period		\$ (70,008)	\$ (44,828)
Loss per share for the period - basic and diluted	13	\$ (0.00)	\$ 0.01

See notes to condensed consolidated interim financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (un-audited)

For the three months ended October 31

Expressed in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance July 31, 2017		21,312,579	\$ 31,450,030	\$ 1,419,262	\$ 191,815	\$ (32,817,263)	\$ 243,844
Net loss for the period		-	-	-	-	146,987	146,987
Fair value of available-for-sale-investments	5	-	-	-	(191,815)	-	(191,815)
Shares issued for cash		5,000,000	250,000	-	-	-	250,000
Share issue costs		-	(4,976)	-	-	-	(4,976)
Balance October 31, 2017		26,312,579	\$ 31,695,054	\$ 1,419,262	\$ -	\$ (32,670,275)	\$ 444,040

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance July 31, 2018		26,312,579	\$ 31,692,281	\$ 1,419,262	\$ (32,804,510)	\$ 307,033
Net loss for the period		-	-	-	(70,008)	(70,008)
Balance October 31, 2018		26,312,579	\$31,692,281	\$ 1,419,262	\$ (32,874,518)	\$ 237,025

See notes to consolidated financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (un-audited)

For the three months ended October 31

Expressed in Canadian Dollars

	Note	2018	2017
OPERATING ACTIVITIES			
Income (loss) for the period		\$ (70,008)	\$ 146,987
Items not affecting cash			
Realized (loss) gain on sale of available-for-sale investments	5	-	(191,815)
Changes in non-cash working capital			
GST recoverable		(3,002)	(4,209)
Prepaid expenses and advances		3,161	(1,512)
Trade and other payables		(2,208)	(61,301)
Cash used in operating activities		(72,056)	(111,850)
INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments	5	-	451,978
Total cash provided by investing activities		-	451,978
FINANCING ACTIVITIES			
Proceeds from private placement	8	-	250,000
Share issue costs		-	(4,976)
Net cash provided by financing activities		-	245,024
Increase (decrease) in cash during the period		(72,056)	585,152
Cash beginning of period		339,261	2,772
Cash end of period		\$ 267,205	\$ 587,924

Supplemental Disclosure with Respect to Cash Flows (Note 15)

See notes to consolidated financial statements.

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Damara Gold Corp. (“Damara” or the “Company”) was incorporated on August 1, 1989 under the *Business Corporations Act* of British Columbia. On September 30, 2014, the Company changed its name to Damara Gold Corp. Effective October 1, 2014 the Company commenced trading on the TSX Venture Exchange (the “Exchange”) under the symbol “DMR” as a Tier 2 issuer.

The Company is in the business of identifying and acquiring prospective and under-explored gold properties worldwide. The Company’s corporate head office is at Suite 335 – 1632 Dickson Ave, Kelowna, BC V1Y 7T2.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed interim consolidated financial statements for the three month period ended October 31, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2018 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2018 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from August 1, 2018 and income tax expense which is expected for the full financial year.

The preparation of condensed consolidated interim financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 4. The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 17, 2018.

The condensed consolidated interim financial statements are presented in Canadian dollars (“CDN”), which is the Company’s and its subsidiaries’ functional currency.

Going Concern

The Company has not yet achieved profitable operations. These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net loss of \$70,008 for the period ended October 31, 2018 (October 31, 2017 - \$146,987 income) and has accumulated a deficit of \$32,874,518 (July 31, 2018 - \$32,804,510) since inception.

The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company’s operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. Although the Company has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which casts significant doubt about the Company’s ability to continue as a going concern.

No adjustments to the carrying values of the assets and liabilities have been made in these condensed consolidated interim financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

	% of ownership	Jurisdiction	Principal Activity
Avasca Inc.	100	British Columbia	Dormant
Valhalla Minerals U.S. Inc.	100	Delaware	Dormant

All significant intercompany balances and transactions have been eliminated on consolidation.

Future Accounting Pronouncements

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- ***Classification and measurement of financial assets:***
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- ***Classification and measurement of financial liabilities:***
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- ***Impairment of financial assets:***
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- ***Hedge accounting:***
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future Accounting Pronouncements (cont'd)

IFRS 9 Financial Instruments (cont'd)

• *Derecognition:*

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

This standard is applicable to the Company's annual period beginning on August 1, 2018. The adoption of this new standard had no impact on the Company's condensed consolidated interim financial statements.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

This standard is applicable to the Company's annual periods beginning on or after August 1, 2018. The adoption of this new standard had no impact on the Company's condensed consolidated interim financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*). The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for the Company's annual period beginning on August 1, 2018. The Company is currently assessing the impact of the standards on the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The effect of a change in an accounting estimate is recognized in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these consolidated financial statements are discussed below.

Critical Judgments

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5. AVAILABLE-FOR-SALE INVESTMENT

As at October 31, 2018, available-for-sale investments consisted of an investment of nil (October 31, 2017 - 9,039,560) common shares of Osino Resources Corp. ("Osino").

During the period ended October 31, 2017, the Company, pursuant to receipt of Exchange acceptance closed the sale of 9,039,560 Osino Shares at a price of \$0.05 per share for gross proceeds of \$451,978 to arms-length purchasers and recorded a gain on sale of \$191,815 and reducing other comprehensive income to \$Nil. During the period ended October 31, 2017, the Company recorded an unrealized gain in other comprehensive income of \$191,815.

6. TRADE AND OTHER PAYABLES

	October 31 2018	July 31 2018
Trade payables	\$33,169	\$33,825
Due to related parties - Note 11	14,363	\$15,915
Total	\$47,532	\$49,740

During the period ended October 31, 2017 the Company settled trade payables with a third party vendor resulting in a gain on settlement of debt of \$10,169.

7. SHARE CAPITAL**(a) Authorized Share Capital**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

(b) Common Shares

There were no shares issued during the period ended October 31, 2018.

During the year ended July 31, 2018 the Company issued the following:

On August 31, 2017 the Company completed a non-brokered private placement (the "Placement") for 5,000,000 units (the "Unit") at a price of \$0.05 per Unit for gross proceeds of \$250,000. Each Unit consists of one common share and one common share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 until August 31, 2020.

(c) Share Purchase Warrants

The following is a summary of changes in warrants from August 1, 2017 to October 31, 2018:

	Number of Warrants	Exercise Price	Weighted Average Exercise Price
Balance, July 31, 2017	5,957,351	\$0.15	\$0.15

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

Issued	5,000,000	\$0.10	\$0.10
Balance at July 31, 2018 and October 31, 2018	10,957,351		\$0.13

7. SHARE CAPITAL (cont'd)**(c) Share Purchase Warrants (cont'd)**

As at October 31, 2018, the share purchase warrants have a weighted average remaining contractual life of 2.09 (July 31, 2018 – 2.34) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Expiry Date	Exercise Price	Number of Warrants
January 18, 2021	\$0.15	1,475,000
March 2, 2021	\$0.15	4,482,351
August 31, 2020	\$0.10	5,000,000
Total		10,957,351

8. SHARE-BASED PAYMENTS**(a) Option Plan Details**

The Company has an incentive stock option plan (the “Plan”) that allows it to grant share purchase options to its employees, directors, consultants and management company employees. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the Exchange (currently \$0.05). The Plan allows for a maximum of 10% of outstanding shares to be issued under the Plan. The Plan is subject to annual shareholder approval.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or management company employee, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of the death of an optionee, the options terminate at the earlier of twelve months after the date of death and the expiration of the option period. Vesting of options is determined by the Board of Directors at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

Stock option activity from August 1, 2018 to October 31, 2018 was as follows:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable
27-Jul-16	27-Jul-21	\$0.05	1,425,000	-	-	1,425,000	1,425,000
Weighted Average Exercise Price			\$0.07	-	-	\$0.05	\$0.05
Weighted Average Life Remaining (years)			2.99	-	-	2.74	2.74

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS (cont'd)

Stock option activity from August 1, 2017 to July 31, 2018 was as follows

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable
13-Dec-12	13-Dec-17	\$1.00	30,000	-	(30,000)	-	-
27-Jul-16	27-Jul-21	\$0.05	1,600,000	-	(175,000)	1,425,000	1,425,000
			1,630,000	-	(205,000)	1,425,000	1,425,000
Weighted Average Exercise Price			\$0.07	-	\$0.19	\$0.05	\$0.05
Weighted Average Life Remaining (years)			3.93	-	-	2.99	2.99

(b) Fair Value of Options Granted During the Period

There were no options granted during the period ended October 31, 2018 and 2017.

9. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	October 31 2018	2017
Administrative and General Expenses			
Accounting and legal		\$29,644	\$7,597
Consulting	10	25,650	\$31,938
Website, shareholder communication		4,530	\$750
Exchange loss		-	\$831
Office and administration fees		6,407	\$3,967
Regulatory fees		-	\$1,045
Rent	10	3,250	\$3,057
Transfer agent fees		526	\$1,337
Travel		-	\$242
		\$70,008	\$50,764

10. RELATED PARTY TRANSACTIONS**(a) Key Management Compensation**

	October 31 2018	October 31 2017
Key management personnel compensation comprised:		
Consulting fees:	\$25,650	\$31,938

- (i) Consulting fees of \$15,000 (2017 - \$20,000) were paid and/or accrued to 43983 Yukon Inc. ("43983") a company, controlled by Lawrence Nagy, Chief Executive Officer, of the Company.
- (ii) Consulting fees of \$9,725 (2017 - \$11,938) were paid and/or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Chief Financial Officer of the Company.
- (iii) Administrative fees of \$925 (2017 - \$Nil) were paid and/or accrued to Minco in relation to providing administrative and accounting services.

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (cont'd)**(b) Related Party Liabilities**

Amounts due to:	Service for:	October 31 2018	July 31 2018
Minco	Consulting Fees	\$2,573	\$6,090
Minco	Expenses	-	\$679
Golden Ridge Resources Ltd. ¹ - common directors	Rent & Expenses	11,790	\$10,108
Total related party payables		\$14,363	\$16,877

¹ Rent and Expenses incurred on behalf of Damara for shared office space and administrative personnel expenses. These amounts are non-interest-bearing and due on demand.

(c) Rent

The Company currently pays Golden Ridge Resources rent and expenses on a month to month basis for shared offices space at approximately \$1,000 per month.

11. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

	October 31 2018	October 31 2017
Net loss attributable to ordinary shareholders	(\$70,008)	\$146,987
Weighted average number of common shares	26,312,579	29,301,709
Basic and diluted loss per share	(\$0.00)	\$0.01

12. COMMITMENTS**Amalgamation**

On September 5, 2018 the Company entered into a business combination agreement (the "Business Combination Agreement") with New Found Gold Corp. ("New Found Gold"), a private Ontario corporation, whereby Damara will acquire (the "Proposed Transaction") all of the outstanding shares of New Found Gold (the "NFG Shares") in exchange for common shares of the Company.

The Proposed Transaction will be effected by way of a three-cornered amalgamation pursuant to which Damara will acquire all of the issued and outstanding NFG Shares in exchange for the issuance of Damara Shares to shareholders of New Found Gold (the "NFG Shareholders"). As a result of the Proposed Transaction, the current shareholders of New Found Gold would own a majority of the issued and outstanding Damara Shares.

The Proposed Transaction will constitute an arm's length Reverse Takeover of Damara pursuant to Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*. Upon completion of the Proposed Transaction, Damara will continue on with the business of New Found Gold and remain a Tier 2 mining issuer (the Company after the completion of the Proposed Transaction being referred to herein as the "Resulting Issuer").

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

12. COMMITMENTS (cont'd)

Prior to the completion of the Proposed Transaction, Damara will consolidate its share capital on a 6 (old) to 1 (new) basis and change its name to “New Found Gold Corp.” or such other name as may be agreed by the parties. Pursuant to the Proposed Transaction, the NFG Shareholders will receive six (6) post-consolidation Damara Shares for each NFG Share held. Prior to closing of the Proposed Transaction, New Found Gold intends to complete a private placement financing (the “Concurrent Financing”) through the issuance of a minimum of 12,500,000 NFG Subscription Receipts (as defined below) (the “Minimum Offering”) and up to a maximum of 22,500,000 NFG Subscription Receipts (the “Maximum Offering”) at a price of \$0.60 per NFG Share for gross proceeds of \$7,500,000 assuming completion of the Minimum Offering and up to a maximum of \$13,500,000 assuming the Maximum Offering is fully subscribed.

Upon completion of the Proposed Transaction and subject to compliance with applicable laws, including the policies of the Exchange, all outstanding convertible securities of New Found Gold will be exchanged for incentive stock options of the Resulting Issuer having the same economic benefits for the holders thereof.

The completion of the Proposed Transaction is subject to the satisfaction of various conditions that are standard for a transaction of this nature, including but not limited to (i) the completion of the Minimum Offering; (ii) approval by the shareholders of Damara (the “Damara Shareholders”) and the NFG Shareholders to complete the Proposed Transaction, (iii) receipt of all requisite regulatory, court or governmental authorizations and consents, including the Exchange; and (iv) the completion of satisfactory due diligence by each of the parties. There can be no assurance that the Proposed Transaction will be completed on the terms proposed above or at all.

Certain of the Damara Shares to be issued pursuant to the Proposed Transaction are expected to be subject to restrictions on resale or escrow under the policies of the Exchange, including the securities to be issued to “Principals” (as defined in Exchange policies), which will be subject to the escrow requirements of the Exchange.

Subject to satisfaction or waiver of the conditions precedent referred to herein and in the Share Exchange Agreement, Damara and New Found Gold anticipate the Proposed Transaction will be completed in the fourth quarter of 2018.

Each of Damara and New Found Gold will bear their own costs in respect of the Proposed Transaction.

On October 19, 2018, the Company entered into an amending agreement (the “Amending Agreement”) amending the terms of the Business Combination Agreement. The Amending Agreement extends the outside date for the completion of certain matters contemplated in the Business Combination Agreement. As of November 26, 2018, the Proposed Transaction has not yet been completed.

Proposed Concurrent Financing

Prior to or concurrent with completion of the Proposed Transaction, New Found Gold will complete the Concurrent Financing. It is anticipated that the Concurrent Financing will be undertaken via the issuance of subscription receipts of NFG (the “Subscription Receipts”) at a price of \$0.60 per Subscription Receipt. Each Subscription Receipt shall be automatically converted to NFG Shares without any further action or payment by the holders thereof upon the satisfaction of certain escrow release conditions (the “Escrow Release Conditions”). New Found Gold is currently meeting with potential agents for the Concurrent Financing.

DAMARA GOLD CORP.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (un-audited)

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

12. COMMITMENTS (cont'd)

The gross proceeds from the issue and sale of the Subscription Receipts (the “Escrowed Funds”) will be held by an escrow agent and invested in short-term obligations or other investments guaranteed by the Government of Canada (and other approved investments) pending the satisfaction of the Escrow Release Conditions. Provided that the Escrow Release Conditions are satisfied, the Escrowed Funds will be released to New Found Gold or Damara, as directed by New Found Gold, and the New Found Gold Shares issued to holders of Subscription Receipts will then be exchanged for common shares in the capital of the Resulting Issuer pursuant to the Business Combination Agreement.

If: (i) the Escrow Release Conditions are not satisfied; (ii) the Business Combination Agreement is terminated at any earlier time; or (iii) either Damara or New Found Gold has advised any agent for the Concurrent Financing or announced to the public that it does not intend to proceed with the Proposed Transaction, then the Subscription Receipts shall be cancelled and the Escrowed Funds, plus accrued interest, if any, shall be returned to the subscribers.

The proceeds raised will be used to fund the costs associated with completing the Proposed Transaction, exploration on the Resulting Issuer’s properties and for general working capital. All securities issued pursuant to the Concurrent Financing will be subject to a hold period of four months and one day. Commissions may be paid on proceeds raised commensurate with industry norms. It is not known at this time if any investment dealer or other registrant will be engaged to assist with fund raising activities.

The parties as at the date of hereof are currently in the process of preparing the requisite documentation to do so, including a joint management information circular and financial statements of New Found Gold to be included therein.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the period ended October 31, 2018 and 2017 the following transactions were excluded from the consolidated statements of cash flows:

1. The Company settled trade payables with an arm’s length vendor in the amount of \$Nil (2017 - \$17,859) for payment of \$Nil (2017 - \$7,690), recording a Nil (2017 - \$10,169) gain on the settlement.