

Novo Resources Corp. (TSXV:NVO) More Nuggets Found at Egina; Further Trenching Needed

Exploration Update
October 10, 2019

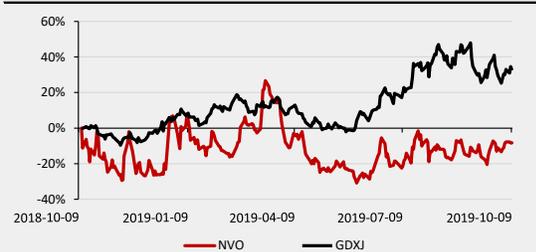
(Currency is CAD\$ unless noted otherwise)

Closing Price	\$2.51	
Consensus NAVPS	NA	
52 Week Low / High	\$1.87 / \$3.55	
Consensus P/NAV	NA	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	178.9	204.1
Market Capitalization (\$MM)	\$448.9	
Enterprise Value (\$MM)	\$406.3	
Last Reported Quarter Cash (\$MM)	\$43.0	
Total Debt (\$MM)	\$0.4	

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION

	US\$EV/ oz AuEq
Peer Group Average*	\$119
Novo Resources Corp.	\$340

*Capital IQ Consensus

MAJOR SHAREHOLDERS

Management & Directors (11%), Kirkland Lake Gold (16%), Creasy Group (6%), Newmont (3%)

DISCLOSURE CODE:

1,2,3,4

(Please refer to the disclosures listed on the back page)

Source: RCKS, Company Information, Capital IQ

Company Description

Novo Resources is an exploration and development company with properties in Australia and Nevada. The company has been actively growing its land position in the Karratha Region by staking ground, acquiring interest in the Comet Well project and an earn-in/JV on Purdy's Reward. In addition, the company owns the Beatons Creek gold project which has the potential to be a low cost operation with significant exploration upside.

Impact: Mildly Positive

Novo Resources announced coarse gold recovery results from a portion of the ongoing trenching and bulk sampling program at its Egina Gold Project in Western Australia (Figure 1). Work at Egina continues to deliver good grades (>1 g/m³) and further trenching demonstrating scale, could prove to be a significant alluvial gold deposit, considering the expansive area over which these gravels extend. **While the market typically ascribes little value for this type of asset, we believe that as Novo continues to produce gold from its trenching work and subsequent larger scale sampling, we expect that to change.**

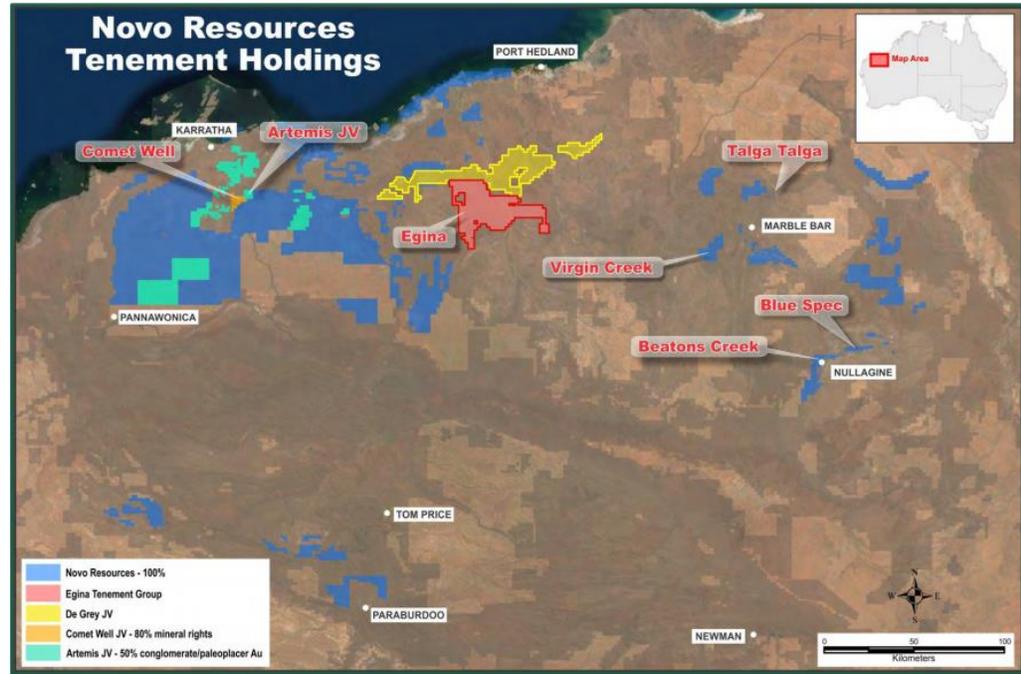
Highlights:

- Bulk samples continue to produce coarse gold.** Novo reported highlights from its three bulk samples: 1) a total 337.2g Au from 222.2m³ of gravel; 2) Bulk sample EGBS025 contained 250.9g Au excluding a large single outlying nugget weighing 86.3g Au; and 3) the combined seven bulk samples from Trenches Four and One yielded 629.6g Au from 504.1m³ of surface gravel. Gold recovered from the current sampling program is of a low cost "dry" variety that has the potential to increase margins via inexpensive processing methods outlined in our previous note ([read here](#)).
- Results compare favourably to previous work.** Current bulk sampling (Figure 2) at Trench Four returned a weighted average grade of 79.2 g/m³ (bulk samples EGBS025/6/7), compared to mid-August results at Trench One of 42.2 g/m³ (bulk samples EGBS016/7/8/21) undertaken across 48m and 64m long nugget-rich zones respectively. A fourth trench only returned 3.7g from 96.3m³ of gravel, highlighting that alluvial deposits have an irregular distribution of gold. The company plans more trenching to prepare for a larger bulk sample next year.
- More news to come with plenty of cash.** With the ongoing US\$30M farm-in to Egina by Sumitomo Corp (for 70% of the project), we continue to believe Novo is well positioned with the technical and financial support to develop Egina. Additionally, the company finished July with C\$43M in cash, which has it well positioned to move Karartha to larger scale bulk sampling once permits are received and advance Beatons Creek towards production.

Valuation:

As Novo continues to "show" the gold endowment of Egina, the market should start ascribing value. With an increased focus on Egina, we reiterate our view that Novo's current share price provides investors with a low-cost option on the asset. We believe that enough work has been done to warrant further market attention and based on our rough valuation we value the company at C\$2.70-5.10/sh excluding Egina. **Upcoming catalysts** include: 1) Ongoing trenching results from Egina; 2) Mining permits for Karratha (Q4/19); and 3) Development updates from Beatons Creek.

Figure 1: The Egina Gold Project



Source: Company Reports

Figure 2: Trenching at Egina



Source: Company Reports



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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Novo Resources Corp.	TSXV:NVO	1,2,3,4

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