



**ARGONAUT**  
The Natural Choice in Resources

# EQUITY RESEARCH

Financial Advisers | Stockbroking & Research | Special Situations Financing

www.argonaut.com +61 8 9224 6888

## SPEC BUY

Current Price	\$0.14
Valuation	\$0.20
TSR	48%

Monday, 6 May 2024

## Novo Resources (NVO)

### CY2024 Drill Programs

Analyst | Patrick Streater

#### Quick Read

Novo Resources has outlined several planned drill programs during 2024 at its extensive Pilbara exploration portfolio. Drilling at Nunnery North recommences this week to follow up on encouraging results returned in the maiden drill program last year. NVO holds a strong cash position plus a significant portfolio of marketable securities from which it can fund its exploration activities. Retain our Speculative Buy rating with a \$0.20 Price Target.

#### Egina Gold Camp Exploration Update

**Drilling recommences at Nunyerry:** Novo Resources has commenced drilling at its Nunnery North Prospect to follow up on encouraging results returned in the maiden drilling program completed in Q4 2023:

- 6m at 6.1g/t from 37m
- 11m at 2.52g/t Au from 22m
- 13m at 1.89g/t Au from 0m
- 4m at 5.71g/t Au 40m

Planned drilling encompasses 4,000m testing strike extensions known mineralisation and testing down plunge extents of existing intercepts for repeat lodes at depth. Drilling will also test undrilled targets 500 – 1000m further along the Freyda and Sassa Shear zones. An Exploration Incentive Scheme (EIS) has been awarded for the program and will contribute up to A\$180k towards the drilling program.

**Karratha drill targets:** Work during the quarter advanced several targets at the Karratha district including North Whundo, Railway Bore and East Well. At North Whundo, a +550ppm Cu, 1.2km long Cu-Pd-Au anomaly was delineated by 80m x 40m soil sampling. The linear anomaly trends parallel to the margins of a mafic/ultramafic contact. A maiden RC program at the North Whundo, Railway Bore and East Well prospects is scheduled for early Q3 2024.

**Belltopper assays pending:** NVO recently completed a 6-hole 2,529m drill program at its Belltopper Gold Project located in Victoria. Drilling tested several structural and IP targets within key anticline corridors. Assays remain pending.

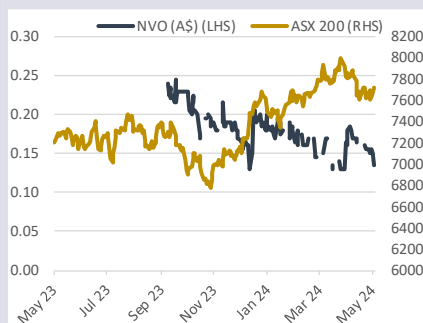
**Strong cash position:** Novo Resources currently holds a cash position of A\$16.7M plus investments of A\$47.7M. Investments are dominated by a \$24.5M position in San Cristobel Mining and A\$21.7M position in Elementum 3D Inc. Novo has stated intentions to liquidate these investments and direct raised funds towards its exploration activities.

#### Recommendation/Outlook

We should see good news flow over the 6-months as Novo ramps up its drilling activities. A strong cash balance allows Novo to execute its plans without coming to the market for equity. NVO currently has an EV of A\$33M before including its A\$47.7M investment portfolio. Once NVO liquidates its investment portfolio it may have a significant cash position that enables further acquisitions.

Ticker	NVO ASX		
Sector:	Metals & Mining		
Shares on issue (m)	353		
Market Cap (A\$m)	55		
Net cash (debt) (A\$m)	17		
Enterprise Value (A\$m)	38		
Marketable Securities (A\$m)	48		
52 Week High	0.28		
52 Week Low	0.12		
ADTO (A\$m)	0.03		
<b>Key Metrics</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
P/E (x)	nm	nm	nm
EV/Ebit (x)	nm	nm	nm
EV/Ebitda (x)	nm	nm	nm
FCF yield (%)	0.0%	0.0%	0.0%
Dividend yield (%)	0.0%	0.0%	0.0%
<b>Financial Summary</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Revenue (A\$m)	3	0	0
Ebitda (A\$m)	(22)	(22)	(22)
Ebit (A\$m)	(21)	(18)	(17)
Earnings (A\$m)	3	0	0
Op cash flow (A\$m)	(4)	(6)	(2)
Capex (A\$m)	0	0	0
Free CF (A\$m)	(22)	(23)	(24)

Share price performance vs ASX 200



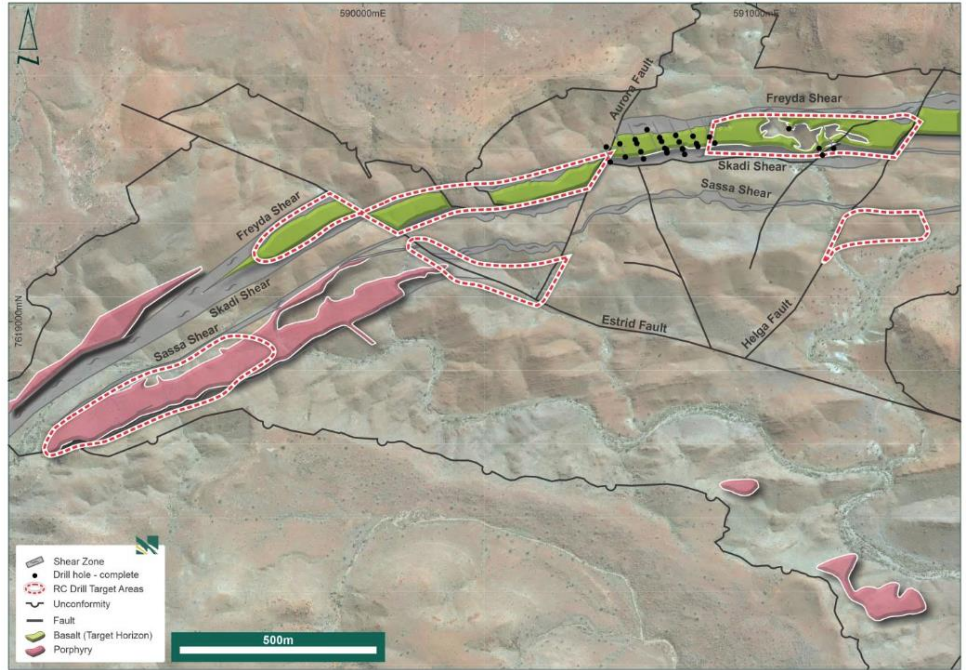
Source: Factset, Argonaut May 2024

Please refer to important disclosures at the end of the report

## CY2024 Exploration Plans

### Drilling resumes at Nunyerry North

Figure 1 – Map of completed drilling at Nunyerry North with planned RC drill targets

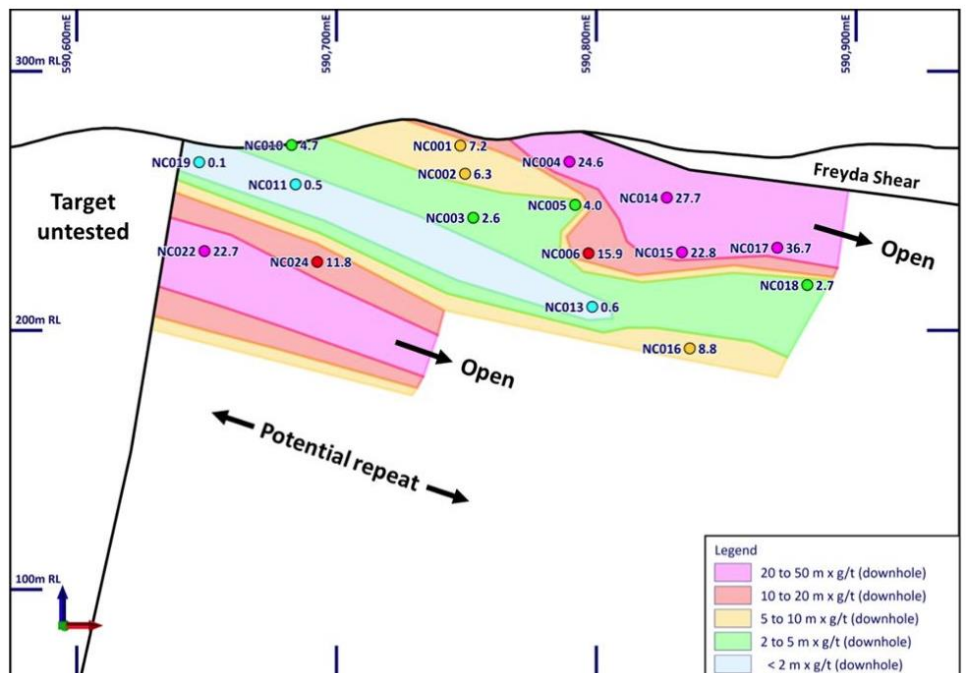


Nunyerry North (E47/2973) is a 70/30 JV with Creasy Group (70% NVO)

The current drill program will test extensions to known mineralisation and test several new targets

Source: NVO

Figure 2 – Long section of Nunyerry North maiden 2023 drill results.



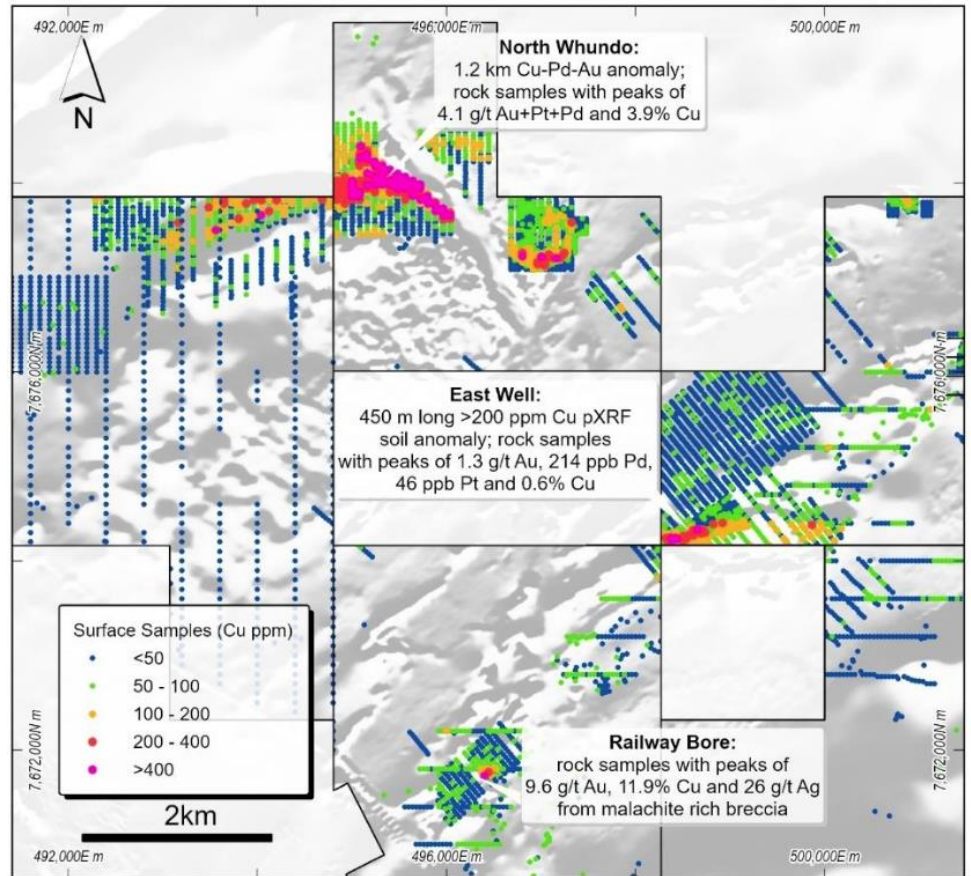
Known mineralisation at Nunyerry North will be drill tested for repeat shoots

Source: NVO

**Karratha Drill Targets Advanced**

Figure 3 – Soil anomaly targets at the North Whundo, East Well and Railway Bore prospects.

Drill testing of the 1.2km North Whundo anomaly scheduled for early Q3 2024



Source: NVO

**Investment Portfolio**

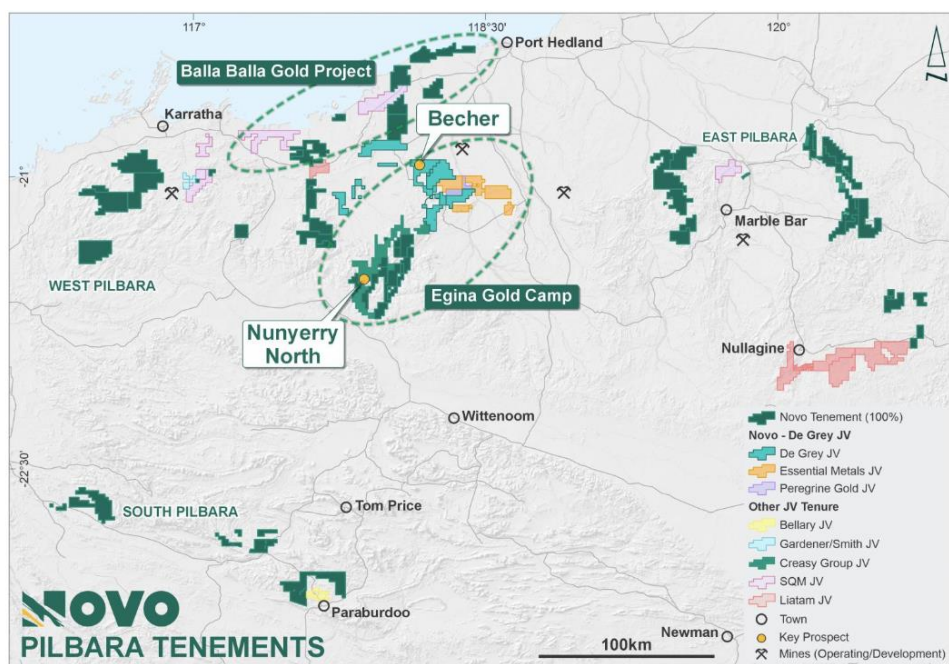
Figure 4 – Novo Resources investment portfolio

NVO holds a A\$47.7M investment portfolio in addition to its A\$16.7M cash position

	Ticker	Number of shares held	Novo interest	Value A\$'000	Value C\$'000
<b>ASX-listed shares*</b>					
<b>Kalamazoo Resources Limited</b>	KZR	10,000,000	5.78%	\$890	\$786
<b>GBM Resources Limited</b>	GBZ	11,363,637	1.55%	\$90	\$80
<b>Calidus Resources Limited</b>	CAI	1,347,089	0.22%	\$155	\$137
<b>Kali Metals Limited (commenced trading January 8, 2024)</b>	KM1	566,947	0.39%	\$252	\$223
<b>Unlisted shares**</b>					
<b>Elementum 3D Inc.</b>	Unlisted (US\$)	2,076,560	11.07%	\$21,740	\$19,190
<b>San Cristobel Mining Inc.</b>	Unlisted (US\$)	2,000,000	4.05%	\$24,561	\$21,680

Source: NVO

Figure 5: Novo's various Pilbara Projects.



Source: NVO

Significant amount of exploration costs contributed by JV partners:

De Grey Mining (Becher JV)

SQM (Harding Battery Metals JV)

Liatam Mining (Quartz Hill JV)

Novo holds 7,000sq km of tenure in the Pilbara region

## Valuation

Argonauts' valuation encompasses a sum-of-the parts valuation of incorporating debt, cash, marketable securities and a nominal valuation assigned to its exploration portfolio. We note that the valuation of exploration stage assets is subject to significant volatility should NVO move towards a significant discovery and definition of a mineral resource.

Figure 6 – Price target is 50/50 blend of spot and Argonaut NPV.

Valuation Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$/sh	A\$m	A\$/sh
Exploration Portfolio	20.0	0.06	20.0	0.06
Resources	0.0	0.00	0.0	0.00
Marketable Securities	47.7	0.13	47.7	0.13
Corporate overhead	(12.7)	(0.04)	(12.7)	(0.04)
Unpaid capital	0.0	0.00	0.0	0.00
Cash	16.9	0.05	16.9	0.05
Debt	0.0	0.00	0.0	0.00
<b>Total</b>	<b>71.9</b>	<b>0.20</b>	<b>71.9</b>	<b>0.20</b>
<b>Price Target (50/50 spot/base case)</b>				<b>0.20</b>

Source: Argonaut Research

**RESEARCH:**

**Hayden Birstow** | Executive Director, Head of Research  
+61 8 9224 6835

**Ian Christie** | Director Research  
+61 8 9224 6872

**George Ross** | Senior Analyst, Metals & Mining Research  
+61 8 9224 6840

**Patrick Streater** | Analyst, Metals & Mining Research  
+61 8 9224 6869

**INSTITUTIONAL SALES:**

**Chris Wippl** | Executive Director, Head of Institutional Sales  
+61 8 9224 6875

**Damian Rooney** | Director, Institutional Sales Trader  
+61 8 9224 6862

**Josh Welch** | Institutional Research Sales  
+61 8 9224 6868

**George Ogilvie** | Institutional Research Sales  
+61 8 9224 6871

**Matt Middlemas** | Associate, Institutional Sales  
+61 8 9224 6803

**John Santul** | Consultant, Institutional Sales & Research  
+61 8 9224 6859

**CORPORATE AND PRIVATE CLIENT SALES:**

**Glen Colgan** | Executive Director, Desk Manager  
+61 8 9224 6874

**Kevin Johnson** | Executive Director, Corporate Stockbroking  
+61 8 9224 6880

**Ben Willoughby** | Senior Dealer, Corporate Stockbroking  
+61 8 9224 6876

**David Keogh** | Senior Dealer, Corporate Stockbroking  
+61 8 9224 6852

**Geoff Barnesby-Johnson** | Senior Dealer, Corporate Stockbroking  
+61 8 9224 6854

**James Massey** | Dealer, Corporate Stockbroking  
+61 8 9224 6849

**Cameron Prunster** | Dealer, Private Clients  
+61 8 9224 6853

**Harry Massey** | Dealer, Private Clients  
+61 8 9224 6829

**Jake Solomon** | Dealer, Private Clients  
+61 8 9224 6855

**Matej Mandic** | Dealer, Private Clients  
+61 8 9224 6887

**Amanda Fu** | Provisional Provider, Private Clients  
+61 8 9224 6805

**Important Disclosure**

Argonaut acted as Financial Adviser and Lead Manager in respect of the offer to raise up to \$7.5M through the issue of CHES Depository Interests (CDIs) in August 2023 as part of a secondary listing on the ASX by way of a Prospectus and received fees commensurate with these services.

The analyst owns shares with Novo Resources

**For U.S. persons only**

This research report is a product of Argonaut Securities Pty Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Argonaut Securities Pty Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Argonaut Securities Pty Limited has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**General Disclosure and Disclaimer**

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") for the use of the clients of ASPL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL has made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's overall revenues.

**Copyright**

© 2024. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited. Argonaut Securities Pty Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.