



SPEC BUY

Current Price	\$0.10
Price Target	\$0.20
TSR (%)	100%

Thursday, 5 September 2024

Novo Resources (NVO)

Nunyerry North results

Analyst | Patrick Streater

Quick Read

NVO has reported further encouraging intercepts from its second drill program completed at its Nunyerry North project in the Pilbara. New drilling targeting the Estrid fault returned shallow high-grade hits which will need follow up work. No change to our Speculative Buy recommendation with the \$0.20 Price Target unchanged.

Key points

2024 Nunyerry North Results: NVO has reported results from a 34-hole, 3,942m drill program completed at Nunyerry North. Significant results include:

- 13m at 2.68g/t Au from 66m, Incl 3m at 10.4g/t Au
- 11m at 2.2g/t Au from 84m, Incl 1m at 18g/t Au
- 17m at 1.85g/t Au from 25m, Incl 7m at 3.5g/t Au
- 9m at 2.5g/t Au from 87m, Incl 2m at 8.9g/t Au

Results confirm widespread mineralisation at Nunyerry North: Completed drilling stepped out further along strike from the initial 2023 RC program which focused on a 250m strike position of the Freyda Shear. The key results reported recently was first pass drilling into the Estrid Fault which returned intercepts of 17m at 1.85g/t, 13m at 2.68g/t and 11m at 2.2g/t Au. Insufficient drilling has been completed to determine the true width of these intercepts but regardless they are encouraging results for a first pass drill test of the area.

Balla Balla progress: NVO has recently completed heritage surveys over the Balla Balla Gold project which should now progress to a granting of the tenement, allowing a ~8,000m AC program to commence in Q4 CY2024. The Balla Balla project covers the regional scale Sholl Shear Zone which is a major structure, running parallel to the Malina Shear Zone (Hemi), 50km to the south. Concealed by shallow cover with very little prior exploration work, the Balla Balla project is key project we like in the NVO portfolio that offers up potential for a major discovery.

Valuation & recommendation

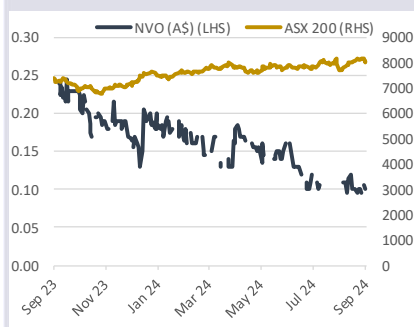
Some encouraging drill results at Nunyerry confirming a larger scale system which clearly warrants further exploration work. Balla Balla is a key project for NVO and we look forward to the results of air core drill program starting later this year. Our Price Target is unchanged at \$0.20 with a Speculative Buy recommendation. NVO remains a well-funded early-stage explorer and one of only a few gold explorers in WA pushing into Greenfields terrains and therefore has exposure to a significant discovery.

Ticker	NVO ASX
Sector:	Metals & Mining
Shares on issue (m)	355
Market Cap (A\$m)	36
Net cash (debt) (A\$m)	11
Enterprise Value (A\$m)	25
Marketable Securities (A\$m)	42
52 Week High	0.28
52 Week Low	0.09
ADTO (A\$m)	0.01

Key Metrics	FY25E	FY26E	FY27E
P/E (x)	nm	nm	nm
EV/Ebit (x)	nm	nm	nm
EV/Ebitda (x)	nm	nm	nm
FCF yield (%)	(25.1%)	(26.4%)	(27.8%)
Dividend yield (%)	0.0%	0.0%	0.0%

Financial Summary	FY25E	FY26E	FY27E
Revenue (A\$m)	0	0	0
Ebitda (A\$m)	(8)	(9)	(9)
Ebit (A\$m)	(9)	(9)	(9)
Earnings (A\$m)	(9)	(9)	(9)
Op cash flow (A\$m)	(3)	(3)	(3)
Capex (A\$m)	0	0	0
Free CF (A\$m)	(9)	(9)	(10)

Share price performance vs ASX 200



Source: Factset, Argonaut September 2024

Please refer to important disclosures at the end of the report



Figure 1 - Earnings and valuation summary

Novo Resources Limited

ASX: NVO	Share price (A\$)	A\$0.10
	Market Cap (A\$m)	36
Analyst: Patrick Streater	Shares (m)	355
www.argonaut.com		

Key metrics	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
EPS (Ac)	(7.70)	(2.13)	(1.87)	(1.67)	(1.52)	(1.37)
DPS (Ac)	0.00	0.00	0.00	0.00	0.00	0.00
P/E (x)	nm	nm	nm	nm	nm	nm
EV/Ebit (x)	nm	nm	nm	nm	nm	nm
EV/Ebitda (x)	nm	nm	nm	nm	nm	nm
EV/Production (x)	nm	nm	nm	nm	nm	nm
Free cash flow yield (%)	(71.9%)	(25.1%)	(26.4%)	(27.8%)	(29.2%)	(30.7%)
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt (cash) (A\$m)	(10.5)	(9.1)	(7.2)	(4.9)	(2.0)	(1.1)
Gearing (%)	(15.1%)	(12.7%)	(10.1%)	(6.8%)	(3%)	(2%)

Profit & Loss	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Sales revenue (A\$m)	0.1	0.0	0.0	0.0	0.0	0.0
Operating costs (A\$m)	0.0	0.0	(0.0)	0.0	0.0	0.0
Exploraton expense (A\$m)	(12.3)	(5.5)	(5.6)	(5.8)	(6.0)	(6.2)
Corporate overhead (A\$m)	(15.1)	(3.0)	(3.1)	(3.2)	(3.3)	(3.4)
Ebitda (A\$m)	(27.3)	(8.5)	(8.7)	(9.0)	(9.2)	(9.5)
Depreciation (A\$m)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0
Ebit (A\$m)	(27.3)	(8.5)	(8.8)	(9.0)	(9.2)	(9.5)
Net interest (A\$m)	(0.0)	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)
Pre-tax profit (A\$m)	(27.3)	(8.7)	(9.0)	(9.3)	(9.7)	(10.0)
Tax (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Underlying earnings (A\$m)	(27.3)	(8.7)	(9.0)	(9.3)	(9.7)	(10.0)
Exceptional items (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Reported Earnings (A\$m)	(27.3)	(8.7)	(9.0)	(9.3)	(9.7)	(10.0)

Cash flow statement	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Net profit (A\$m)	(27.3)	(8.7)	(9.0)	(9.3)	(9.7)	(10.0)
Depreciation (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Exploration, interest and tax (A\$m)	12.7	5.8	5.9	5.9	5.9	5.9
Working Capital (A\$m)	2.0	0.0	0.0	0.0	0.0	0.0
Other (A\$m)	0.7	0.0	0.0	0.0	0.0	0.0
Operating cash flow (A\$m)	(11.9)	(2.8)	(3.1)	(3.4)	(3.7)	(4.1)
Capital expenditure (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Exploration (A\$m)	(13.6)	(6.1)	(6.3)	(6.4)	(6.6)	(6.8)
Other (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow (A\$m)	(25.5)	(8.9)	(9.4)	(9.9)	(10.4)	(10.9)
Dividends (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Equity (A\$m)	0.0	7.5	7.5	7.5	7.5	10.0
Debt draw / (repay) (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow (A\$m)	(25.5)	(1.4)	(1.9)	(2.4)	(2.9)	(0.9)

Balance sheet	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Current assets						
Cash at bank (A\$m)	10.5	9.1	7.2	4.9	2.0	1.1
Short-term investments(A\$m)	0.1	1.3	1.3	1.3	1.3	1.3
Receivables (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and deposits (A\$m)	0.4	0.0	0.0	0.0	0.0	0.0
Other (A\$m)	0.8	0.8	0.8	0.8	0.8	0.8
Current assets (A\$m)	13.1	11.2	9.4	7.0	4.1	3.2
Non-Current assets						
PP& E and Development (A\$m)	0.5	0.5	0.4	0.4	0.4	0.4
Exploration & evaluation (A\$m)	44.8	45.4	46.0	46.6	47.2	47.8
Other (A\$m)	42.3	42.3	42.3	42.3	42.3	42.3
Non-Current assets (A\$m)	87.6	88.1	88.7	89.2	89.8	90.4
Total assets (A\$m)	100.7	99.3	98.0	96.2	93.9	93.6
Current liabilities						
Payables (A\$m)	2.1	2.1	2.1	2.1	2.1	2.1
Short-term debt (A\$m)	0.1	0.0	0.0	0.0	0.0	0.0
Other (A\$m)	4.6	0.0	0.0	0.0	0.0	0.0
Current Liabilities (A\$m)	6.8	2.1	2.1	2.1	2.1	2.1
Non-current liabilities						
Long-term debt (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities (A\$m)	0.4	0.0	0.0	0.0	0.0	0.0
Provisions (A\$m)	0.0	9.2	9.7	10.2	10.7	11.2
Deferred tax (A\$m)	4.6	4.6	4.6	4.6	4.6	4.6
Other (A\$m)	9.0	9.0	9.0	9.0	9.0	9.0
Non-Current liabilities (A\$m)	14.1	22.9	23.4	23.8	24.3	24.9
Total liabilities (A\$m)	20.8	25.0	25.4	25.9	26.4	27.0
Net assets (A\$m)	79.8	74.4	72.6	70.3	67.5	66.7
Equity						
Contributed equity (A\$m)	476.8	484.3	491.8	499.3	506.8	516.8
Accumulated earnings (losses)	(403.4)	(409.9)	(419.2)	(429.0)	(439.3)	(450.1)
Total attributable equity	80.1	81.1	79.3	77.0	74.2	73.4
Minorities (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity (A\$m)	80.1	81.1	79.3	77.0	74.2	73.4

Source: NVO, Argonaut Research, September 2024

Recommendation SPEC BUY

Price Target (A\$)	A\$0.20
TSR (%)	100%

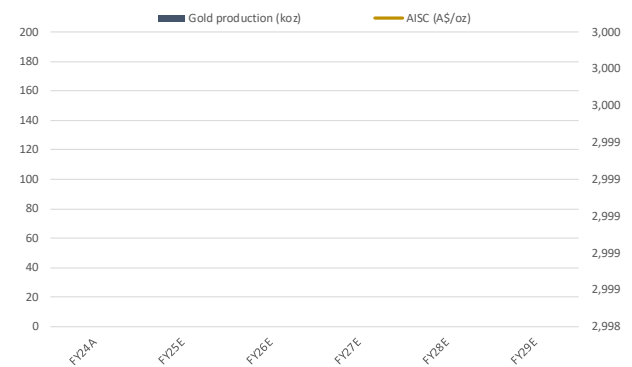


Commodity price assumption	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Gold price (US\$/oz)	2,080	2,388	2,325	2,225	2,150	2,112
A\$/US\$ exchange rate (x)	0.656	0.650	0.650	0.650	0.650	0.650
Gold price (A\$/oz)	3,171	3,673	3,577	3,423	3,308	3,249

Mine production details	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Gold production						
Project A (koz)	0.0	0.0	0.0	0.0	0.0	0.0
Total (koz)	0.0	0.0	0.0	0.0	0.0	0.0

AISC	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Project A (A\$/oz)	nm	nm	nm	nm	nm	nm
Group (A\$/oz)	nm	nm	nm	nm	nm	nm

Production Outlook



Key Projects

Project	Location	Commodity
Becher Project	Pilbara, WA	Au
Egina JV (50% DEG)	Pilbara, WA	Au
Nunyerry North (30% Creasy Group)	Pilbara, WA	Au
Balla Balla	Pilbara, WA	Au
West Pilbara	Pilbara, WA	Ni-Cu, Li, Au
Quartz Hill Li JV (80% Liatam - Li)	Pilbara, WA	Li, Au
Belltopper	Victoria	Au

Mineral Resources

Project	Ore (mt)	(g/t)	(koz)
Project A	0.00		0
Total	0.0		0

EV/Resource (A\$/oz)

Board and Management

Quinton Hennigh	Non-Executive Co-Chairman
Michael Spreadborough	Executive Co-Chairman
Karen O'Neill	Independent Director
Greg Jones	Independent Director
Kas De Luca	GM Exploration

Substantial shareholders

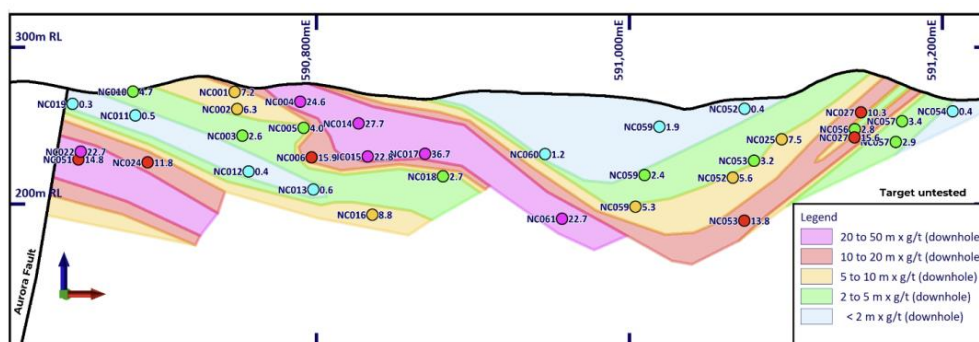
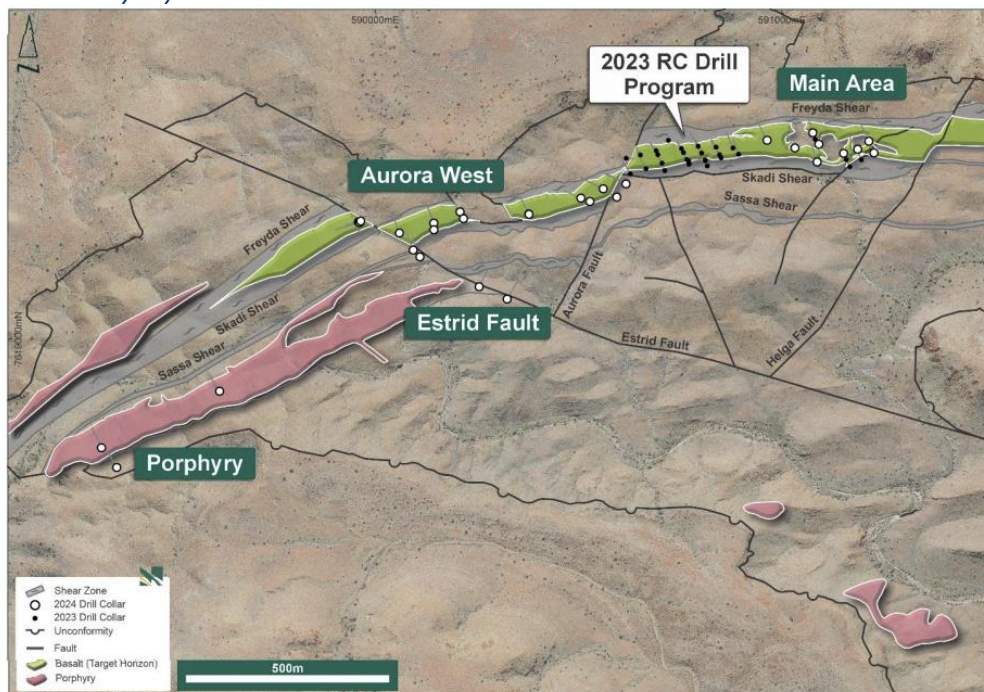
	Shares (m)	Stake (%)
De Grey Mining Ltd	36	10.1%
Liatam Mining Pty Ltd	22	6.2%

Valuation

Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$/sh	A\$m	A\$/sh
Exploration Portfolio	32.5	0.08	32.5	0.08
Resources	0.0	0.00	0.0	0.00
Marketable Securities	42.3	0.12	42.3	0.12
Corporate overhead	(10.2)	(0.03)	(10.2)	(0.03)
Cash	10.5	0.03	10.5	0.03
Debt	0.0	0.00	0.0	0.00
Total	75.1	0.20	75.1	0.20
Price Target (50/50 spot/base case)				0.20

Figure 2 (top) Map of completed drilling at Nunyerry North. (bottom) long section of results at the Nunyerry North main area

Nunyerry North drilling is producing encouraging intercepts from what is essentially green fields exploration



Source: NVO

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 3 – Valuation summary, project September 2024

Valuation Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$/sh	A\$m	A\$/sh
Exploration Portfolio	32.5	0.08	32.5	0.08
Resources	0.0	0.00	0.0	0.00
Marketable Securities	42.3	0.12	42.3	0.12
Corporate overhead	(10.2)	(0.03)	(10.2)	(0.03)
Cash	10.5	0.03	10.5	0.03
Debt	0.0	0.00	0.0	0.00
Total	75.1	0.20	75.1	0.20
Price Target (50/50 spot/base case)				0.20

Source: Argonaut Research

No change to our Speculative Buy recommendation

RESEARCH:

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

Ian Christie | Director Research - Industrials
+61 8 9224 6872

Jon Scholtz | Director Research - Metals & Mining
+61 8 9224 6873

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

Pat Streater | Analyst, Metals & Mining Research
+61 8 9224 6818

INSTITUTIONAL SALES:

Chris Wippel | 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

Jonathan Bank | Institutional Research Sales
+61 2 4086 9413

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

Novo Resources (NVO): 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. Argonaut holds or controls 641,025 warrants exercisable at \$0.6593 expiring 21 May 2026.

The publishing analyst owns shares in NVO

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

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.