

NOVA MINERALS LTD

Equity Research

7th September 2020

SPECULATIVE BUY

Price Target >\$0.200
Share Price \$0.084

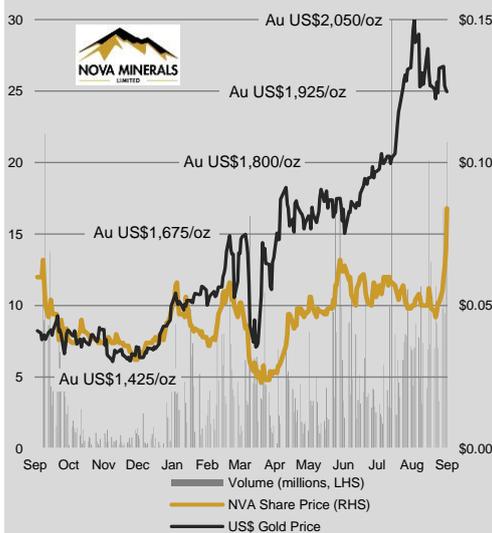
52-Week Range	\$0.021 - \$0.085
NVA Shares Outstanding	1,515m
Unquoted Options (7¢, 2 Jun 2022)	18m
Unquoted Options (4¢, 19 Sep 2022)	61m
Unquoted Options (5.6¢, 28 Nov 2022)	1.5m
Class A Performance Rights on defining 5 Moz gold mineral resource	12m
Class B Performance Rights on defining 10 Moz gold mineral resource	24m
Market Capitalisation	\$127.3m
Cash (1 st September 2020)	~\$15.0m
Enterprise Value	\$112.3m

Investments:

1. NVA holds 94.6 million shares in Torian Resources Ltd (ASX:TNR) or 12.94% with a market value of \$1.23 million
2. NVA owns 73.8% of Snow Lake Resources Ltd

Major Shareholders:

Board and Management	~10.0%
JP Morgan Nominees	5.2%
Top 5 shareholders	17.7%



Nova Minerals Limited (NVA.ASX | NVAOF.OTC | QM3.FSE) is a mineral resource company based in Australia with a current focus on exploration and development in the Tintina Gold Province in Alaska. The Estelle Gold Project (85% NVA) shows strong similarities with adjacent long life, high margin, gold mines such as Eagle (Victoria Gold Corporation VGCX.TSX) and Fort Knox (Kinross Gold Corporation K.TSX).

Flash Note: More Cash = More Drilling = More Gold = More Value

Options Conversion: The selling pressure from the exercise of the NVAO listed options is now off since 31st August 2020 and the NVA share price and enterprise value are re-rating quickly (+65% in one week) to be more in tune with the gold price rise over the last eight months.

Short Term News Flow: With the completion of Phase 1 drilling on Block B (12 holes or only 33% of the 2020 drilling campaign), NVA is expecting to update the market at the end of September with an interim mineral resource for the Korbel deposit, part of the Estelle project, Alaska. The maiden mineral resource for Korbel is currently 181 million tonnes at 0.44 g/t gold for 2.5 million ounces of gold contained. Beyond the expected increase in tonnes and ounces (+1,500m strike extent and additional mineralisation at depth), we expect a slight increase in grade in line with the higher grade intercepts reported recently and a tighter drilling pattern.

Medium Term News Flow: As drilling continues and intensifies (36 holes), another mineral resource update is scheduled at the end of 2020 expanding the resource beyond Blocks A & B by establishing Pad 6 on the Southeast Quadrant Discovery. This update should also see part of the resource classified in the Indicated category together with metallurgical test work results including ore sorting and heap leaching. Initial exploration results are also expected for the Cathedral, You Beauty, Isabella & Sweet Jenny prospects.

Geological Model: Estelle is a near-surface Intrusion Related Gold System (IRGS) deposit. The low grade low risk gold mineralisation pervasive through the Estelle project is similar to the mineralisation observed at other multi-million deposits. The Tintina Gold Belt contains a number of IRGS deposits with low grade multi-million ounces gold mineral resources such as:

- Fort Knox (5.6 Moz @ 0.3 g/t Au resource) operated by Kinross (K.TSX, market capitalisation \$15bn) 8.0 Moz produced 1997-2019
- Golden Summit (2.9 Moz @ 0.7 g/t Au) explored and developed by Freegold Ventures (FVL.TSX, \$376m)
- Eagle (5.3 Moz @ 0.6 g/t Au) operated by Victoria Gold Corporation (VGCX.TSX, \$1,263m), which poured its first gold bar a year ago.

Potential High Grade Zones at Depth: Beyond the low grade gold mineralisation, there are opportunities to discover some wide higher gold grade zones such as Nova's intercept of 101m @ 1.3g/t Au incl. 82m @ 1.4g/t Au in KDBH-012 and at depth. An outstanding intercept such as the one announced in May 2020 by Freegold Ventures at Golden Summit should not be ignored.

Funding: The exercised options have resulted in a cash balance close to \$15 million as at 1st September 2020. NVA is well funded to convert that cash into additional gold ounces and de-risking the project through development studies, which includes metallurgical and feasibility studies.

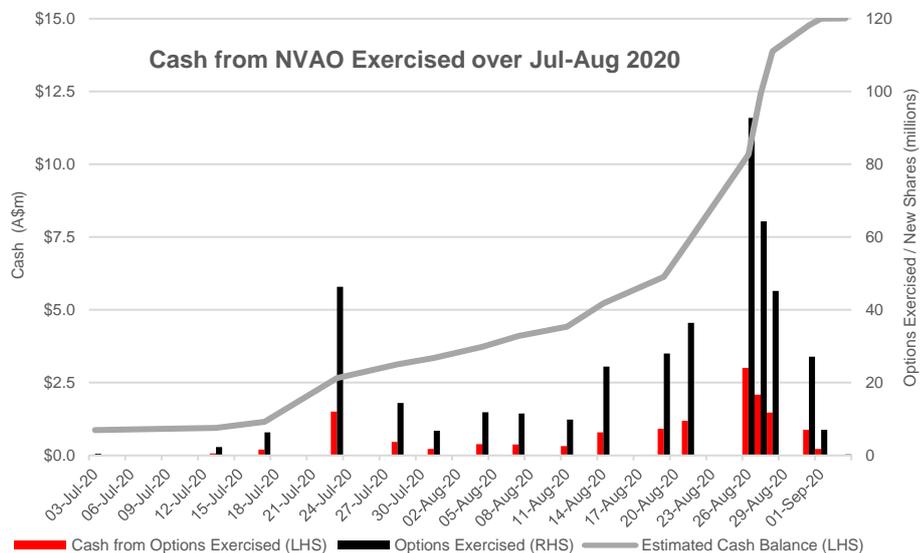
Exploration & Development Momentum: With this strong balance sheet, NVA has the opportunity to accelerate the pace of its exploration and development programs.

Valuation: NVA presents itself as a low risk gold exploration and development investment opportunity, where the size of mineral resource (at surface, amenable to open pit and heap leaching in a Tier 1 jurisdiction) is a function of metres drilled. The path to development and production (or take-over) already appears highly probable. Beyond catching up with the gold price, NVA shares should re-rate further with the imminent interim mineral resource update, when we shall review our price target.

1. NVAO Options Exercise

The exercise of the NVAO has intensified close to the 31st August expiry date as shown in Figure 2.1. Overall, the exercise of 486.8 million NVAO options have raised A\$15.8 million for the company.

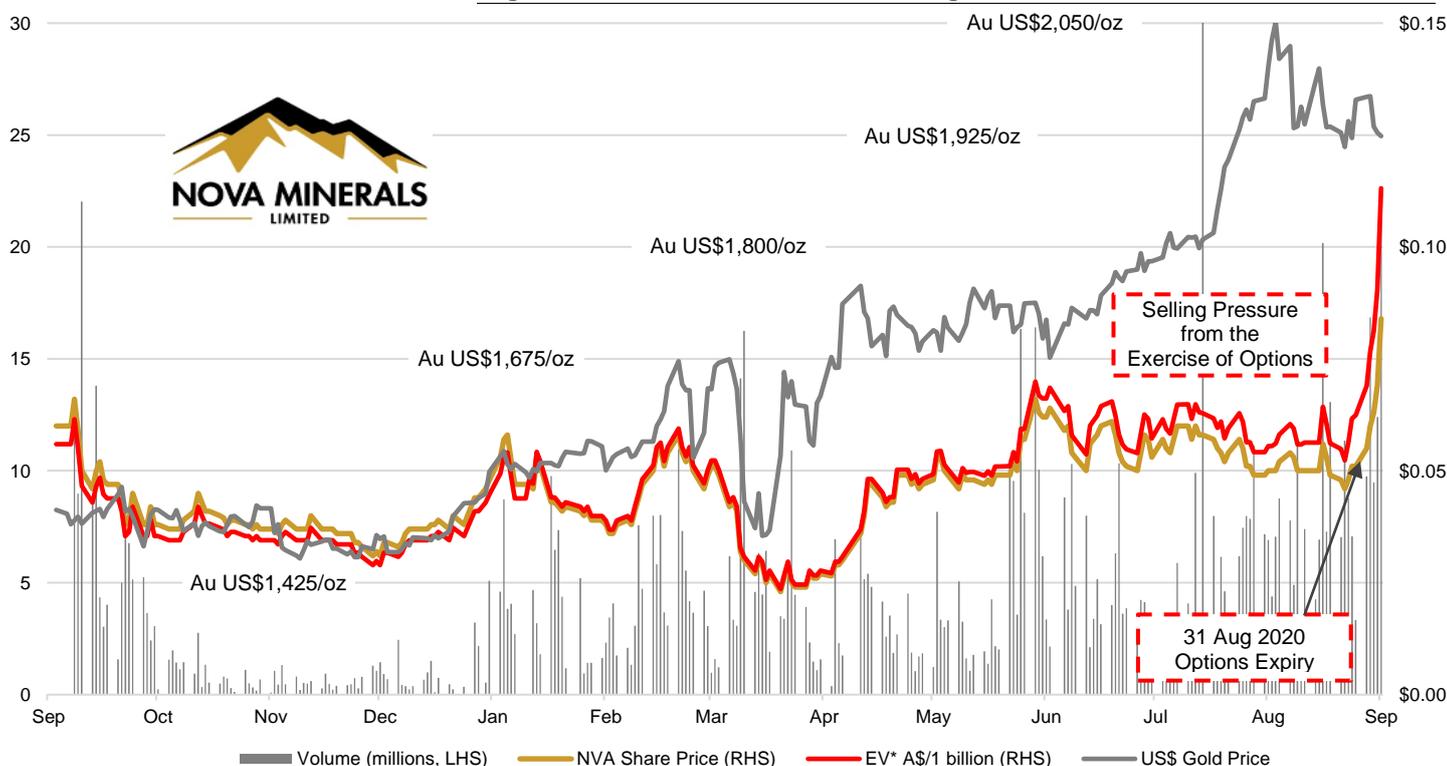
Figure 1.1 – NVAO Listed Options Exercise



Source: Appendices 2A, Evolution Capital Advisors

The selling pressure from the exercise of those options has now disappeared and the NVA value and share price have been performing strongly in last week as shown in Figure 1.2 and Table 1.1.

Figure 1.2 – NVA Share Price, Trading Volume and EV vs US\$ Gold Price



Source: Appendices 2A, Evolution Capital Advisors. * Note the Enterprise Value (EV) is assumed to be equal to the market capitalisation up to 30 June 2020. From that date, the EV has been estimated using the circa \$15m cash balance announced on 1st September 2020, working backwards based on the number of options exercised.

Table 1.1 – NVA Last Trading Sessions – 31st Aug to 4th Sep 2020

Date	Open	High	Low	Close	Change	Change	Volume
31-Aug-20	\$0.052	\$0.056	\$0.051	\$0.055	\$0.004	+7.84%	10,314,890
1-Sep-20	\$0.055	\$0.061	\$0.055	\$0.060	\$0.005	+9.09%	18,468,051
2-Sep-20	\$0.061	\$0.064	\$0.061	\$0.063	\$0.003	+5.00%	10,958,541
3-Sep-20	\$0.063	\$0.069	\$0.063	\$0.069	\$0.006	+9.52%	14,403,765
4-Sep-20	\$0.067	\$0.085	\$0.054	\$0.084	\$0.015	+21.74%	25,227,223

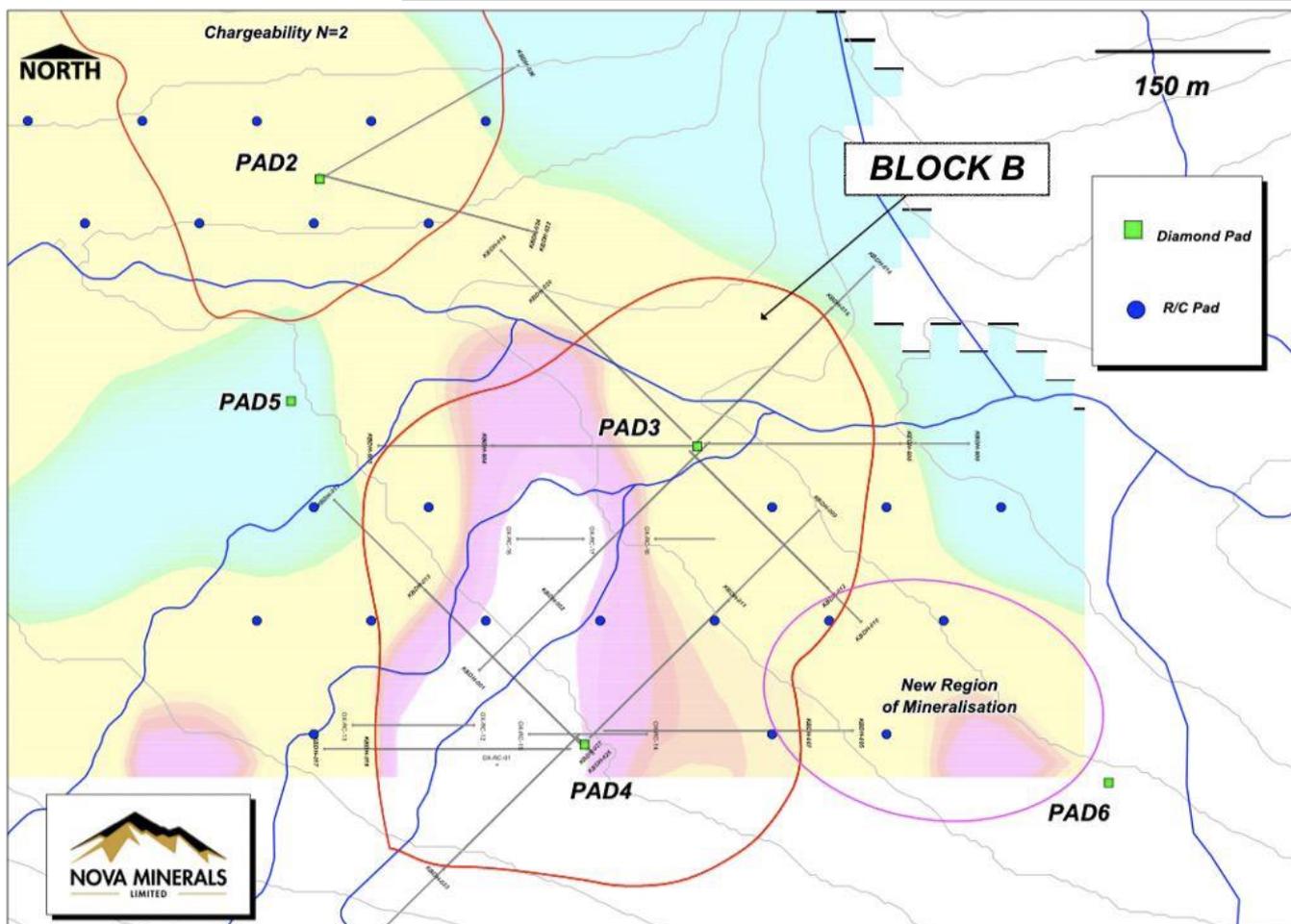
Source: Commsec

2. Recent Drilling Results

As expected, the recent drilling results are confirming a very large continuous gold system, which remains open at depth and shows an extended footprint. Mineralisation generally starts from surface and has been consistently traced to a vertical depth of at least 350m.

For Block B, a new zone of mineralisation has been discovered to the south east and a new diamond drilling pad (Pad 6) will see the start of some additional drill holes in the near term.

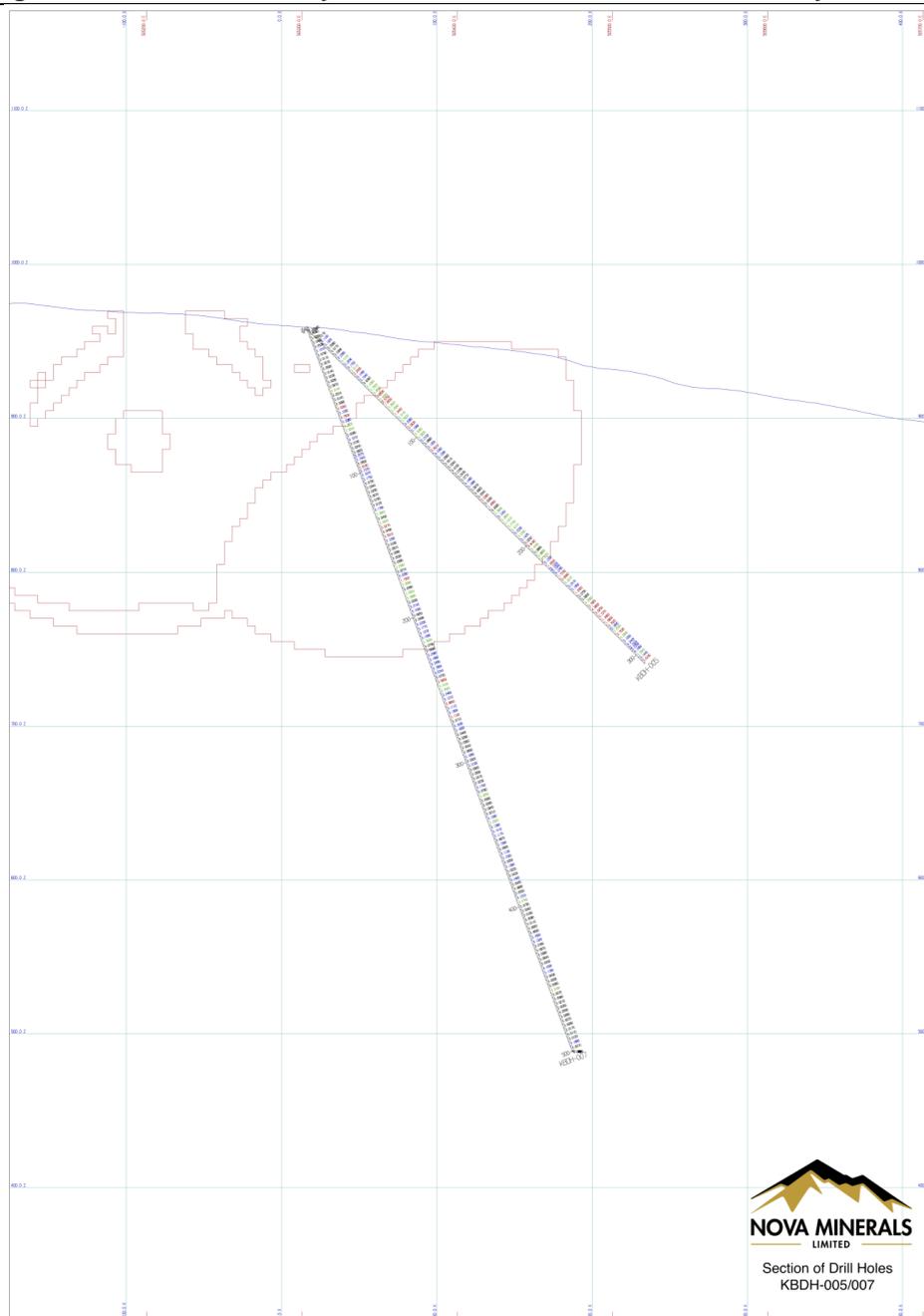
Figure 2.1 - Korbelt Drill Layout and Southeast Quadrant Discovery



Source: NVA

The cross-section along KBDH-005 and KBDH-007 clearly indicates an extension of the mineralisation at depth and to the south east.

Figure 2.2 - Korbelt Drill Layout and Southeast Quadrant Discovery



Source: NVA

Finally, some higher grade intercepts such as:

- 101m @ 1.3 g/t incl. 82m @ 1.5 g/t in KDBH-012
- 150m @ 0.6 g/t incl. 21m @ 1.6 g/t in KBDH-005
- 163m @ 0.6 g/t incl. 87m @ 0.7 g/t in KBDH-009
- 137m @ 0.6 g/t incl. 97m @ 0.7 g/t in KBDH-010

bodes well for a lift of the mineral resource grade in the upcoming updates.

In turn, this should have a positive impact on development studies as Block B has been flagged as the starter pit.

3. Possible High Grade Zones

Beyond the low risk exploration and resource drilling, the deposit may contain some significant high grade zones.

Higher grade could lie below the low grade mineralisation

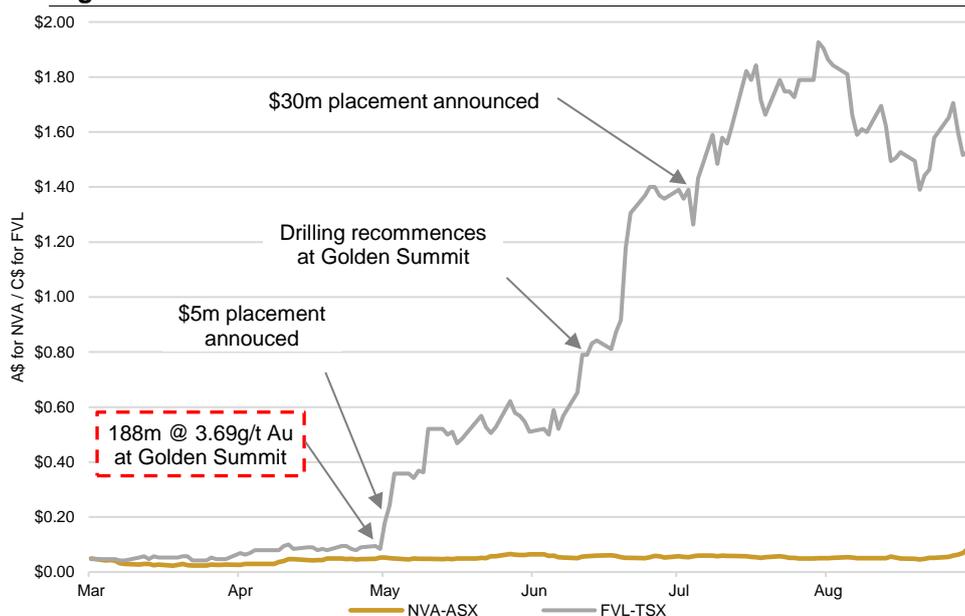
Looking at a neighbour project, Golden Summit is located 32 km northeast of Fairbanks, Alaska in the Tintina Gold Belt. The deposit presents similar geology and mineralisation. The project is 100% by Freegold Ventures Limited (TSX:FVL) and has a mineral resource of 133 Mt at 0.69 g/t gold for 2.9 million ounces (0.3 g/t cut-off, US\$1,300/oz gold price assumed) as defined in the preliminary economic assessment (PEA) results announced on 25th January 2016.

On 6th May 2020, Freegold Ventures announced a drill hole intercept of 188m at 3.69 g/t gold from 360m downhole to the end of the hole. The last 20 metres graded 9.87 g/t, indicating that the system is open at depth.

On the back of this outstanding result (and this one alone), Freegold Ventures market value has boomed as shown on Figure 3.1.

While investing in NVA should not be based on the expectation of such extraordinary result, the presence of similar high grade zones at depth at the Estelle project is open to speculation.

Figure 3.1 – Recent Share Price Performance of FVL and NVA



Source: Evolution Capital Advisors

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