

Novo Resources Corp. (TSXV:NVO) Sumitomo Likely to Provide Funding for Next Steps

Corporate Update

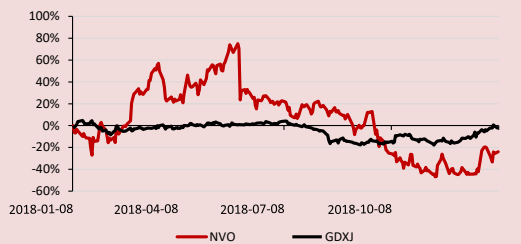
(Currency is CAD\$ unless noted otherwise)

Closing Price		\$2.75
Consensus NAVPS		NA
52 Week Low / High	\$1.89 / \$6.42	
Consensus P/NAV		NA
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	163.8	204.8
Market Capitalization (\$MM)		\$450.5
Enterprise Value (\$MM)		\$399.5
Last Reported Quarter Cash (\$MM)		\$51.0
Total Debt (\$MM)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION	US\$/ha
Peer Group Average*	\$0.023
Novo Resources Corp.	\$0.025

*Capital IQ Consensus

MAJOR SHAREHOLDERS

Management (12.61%), Kirkland Lake Gold Ltd. (18.21%), Van Eck Associates Co. (4.48%), Newmont Mining Corpor. (3.62%), OppenheimerFunds, Inc. (0.42%)

DISCLOSURE CODE:	1,2,3,4
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(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: Positive

The now extended and expanded MOU between Novo and Sumitomo Corporation (TYO:8053) proposes an agreement which could bring the needed cash, confidence and expertise for furthering the company's Australian projects. **We believe the market continues to undervalue the company's Karratha, Egina and wider Pilbara projects, with much of the current value underpinned by an improving Beatons Creek project.**

Highlights:

- **Agreement should add confidence and provide some future funding.** In the near-term the continued interest from Sumitomo should provide investors confidence with respect to the merits of Novo's Australian projects. As well, adding Sumitomo's expertise and capital, should help this small company move its projects from the development to production stage. Consequently, we view the expansion of this agreement positively, particularly as the company is likely to be conducting large scale bulk sampling later this year at its Karratha project and we expect the next resource update from Beatons Creek to drive an updated economic study followed by a likely production decision.
- **Provides technical expertise and cash.** Following the establishment of project development plans and a potential transaction structure, the current MOU stipulates that Sumitomo could commit up to ~C\$61.4M (¥ 5.0B) through an option to purchase interest. Sumitomo would then be offered a right of first refusal (ROFR) providing it with security for maintaining its interest in the company. A successful agreement would bring significant technical support and a major piece of the equity funding needed to a bring one of Novo's projects into production.
- **A vote of confidence ahead of a busy 2019.** Novo is advancing multiple projects in 2019, with bulk sample results expected from Egina, Beatons Creek and Karratha. Additionally, a resource update demonstrating higher grades is expected in Q1/19 from Beatons Creek. As well, the company continues to advance Karratha to a larger sale bulk sampling with a Native title agreement and mineralization report expected in H1/19.

Valuation:

Steady newsflow from Novo in 2019 should provide lift. Our preliminary DCF valuation for Beatons Creek alone underpins an estimated value of C\$1.10-1.40/sh and a combined value of C\$2.40-4.80/sh for Karratha and Beatons Creek. A valuation gap is evident as Novo currently trades at 2.75/sh and we believe steady newsflow from all projects should drive the stock towards the top-end of our valuation range. **Upcoming catalysts** include, 1) Bulk sampling at Karratha (H2/19), 2) Systematic bulk sampling work at Egina (Q1/19) and 3) Beatons Creek resource update (Q1/19).

Figure 1: Company Comparables

Company	Ticker	Price (C\$/sh)	3 Month Perf.	6 Month Perf.	Shares (M)	Mkt. Cap C\$M	Cash C\$M	Debt C\$M	EV C\$M	US\$EV/ha
Novo Resources Corp.	TSXV:NVO	\$2.75	7%	-35%	\$164	\$451	\$51	\$0	\$400	\$0.025
Artemis Resources Limited	ASX:ARV	\$0.13	-26%	-26%	649	\$84	\$27	\$4	\$61	\$0.023
Kairos Minerals Limited	ASX:KAI	\$0.02	-27%	-27%	852	\$20	\$6	\$0	\$14	\$0.009
De Grey Mining Limited	ASX:DEG	\$0.13	-17%	-43%	423	\$53	\$1	\$0	\$52	\$0.021
Calidus Resources Limited	ASX:CAI	\$0.03	4%	-24%	1451	\$42	\$6	\$0	\$36	\$0.074
Marindi Metals Limited	ASX:MZN	\$0.01	-14%	-45%	1985	\$12	\$2	\$0	\$10	\$0.033
International Prospect Ventures	TSXV:IZZ	\$0.16	-14%	-47%	27	\$4	\$1	\$0	\$3	\$0.006
NxGold Ltd.	TSXV:NXN	\$0.08	-41%	-54%	85	\$7	\$2	\$0	\$5	\$0.004
Pacton Gold Inc.	TSXV:PAC	\$0.31	-10%	-56%	119	\$36	\$3	\$0	\$33	\$0.011
									Median	\$0.016
									Average	\$0.023

Source: RCKS Estimates, Capital IQ

Derek Macpherson | VP Mining Analysis
Edmond Thorose | VP Corporate Development
Alex Pitcher | Associate, Mining Analysis
Beatrice Cigagna | Associate, Mining Analysis

Red Cloud Klondike Strike Inc.
 105 King Street East, 2nd Floor
 Toronto ON, M5C 1G6

www.redcloudks.com/rcks-talk

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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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