

# Gold Explorer Play #1: Anova Metals

Anova Metals is like a golf ball on a tee waiting to be smashed down the fairway.

Much of the hard work has already been done and yes – there has been a bit of a run up in the price – but given that gold is still only trading at around \$1330 per ounce, this is one I'm expecting to really take off even if the gold price does not go dramatically higher – there's so much exploration potential in this relatively small company.

Before I set out why I like this company so much, here is a brief introduction...

Anova Metals Limited (ASX:AWV) is a gold company which is about to re-start mining at its 100% owned Big Springs gold project in north eastern Nevada, USA.

The project planning and permitting are well advanced with mining operations expected to start later this year. Initially mining will focus on some high-grade mineralization at South and North Sammy (which have previously been mined with high recoveries) with start modest start-up costs of around \$2m.

Given there is no debt and the market capitalisation is around \$47m, they should be able to start generating cash with minimal dilution and should they choose to raise debt, a very modest level of gearing.

Point number one – cash generation is just around the corner – BUT that's not what really excites me about this project.

The excitement is all to do with the location - in the highly prospective Carlin Region of Nevada.

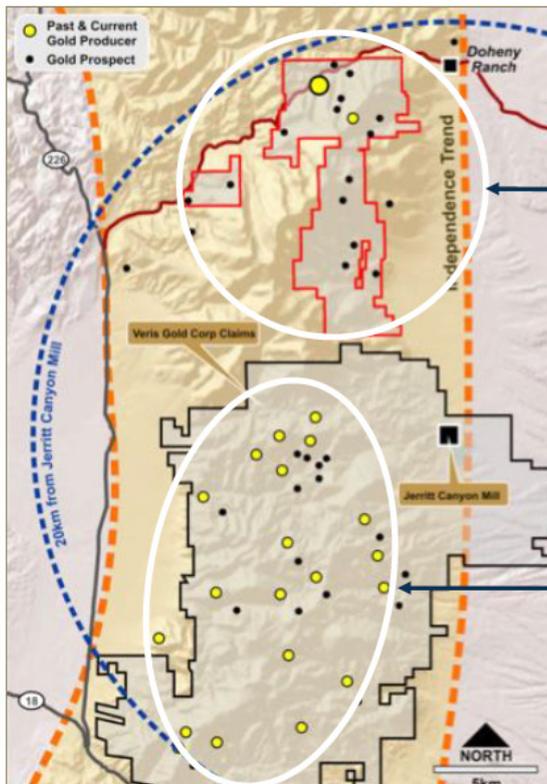
Firstly, let's take a look at where Big Springs is located relative to the highly successful Jerritt Canyon Mine.

As you can see it's only 20km north of a mine which has a 20 year production history and 30 years of exploration. With 8 million ounces being produced since 1981.

Whilst I appreciate that's a long time period, it's a huge amount of gold.

To put it in perspective, the US-based Newmont Mining Corporation ranks second in the global gold competition and produced 5.04 Moz of gold from ALL their mines in 2015, 4% more than in 2014 (4.85 Moz).

## Exploration – Endowment Potential



### Big Springs

- Previously mined ~350 Koz produced
- Limited exploration since 1993
- Current resource (16.0Mt at 2.0g/t Au for 1.03 Moz's)
- High grade component 3.1Mt @ 4.2g/t Au for 415,000 oz's

### Jerritt Canyon mine (neighbour)

- 20 km south of Big Springs (42 km by road)
- 11 Moz discovered
- 8 Moz Au produced since 1981
- 20+ years production history
- 30+ years continuous exploration

*Source: company presentation*

Although 20km is very close in mining terms, geology can change enormously over this distance, so the next thing to look at is Big Springs itself.

What is really interesting here is the grade of the findings. In the two diagrams below you can see evidence of the samples they have discovered at North Sammy and South Sammy.

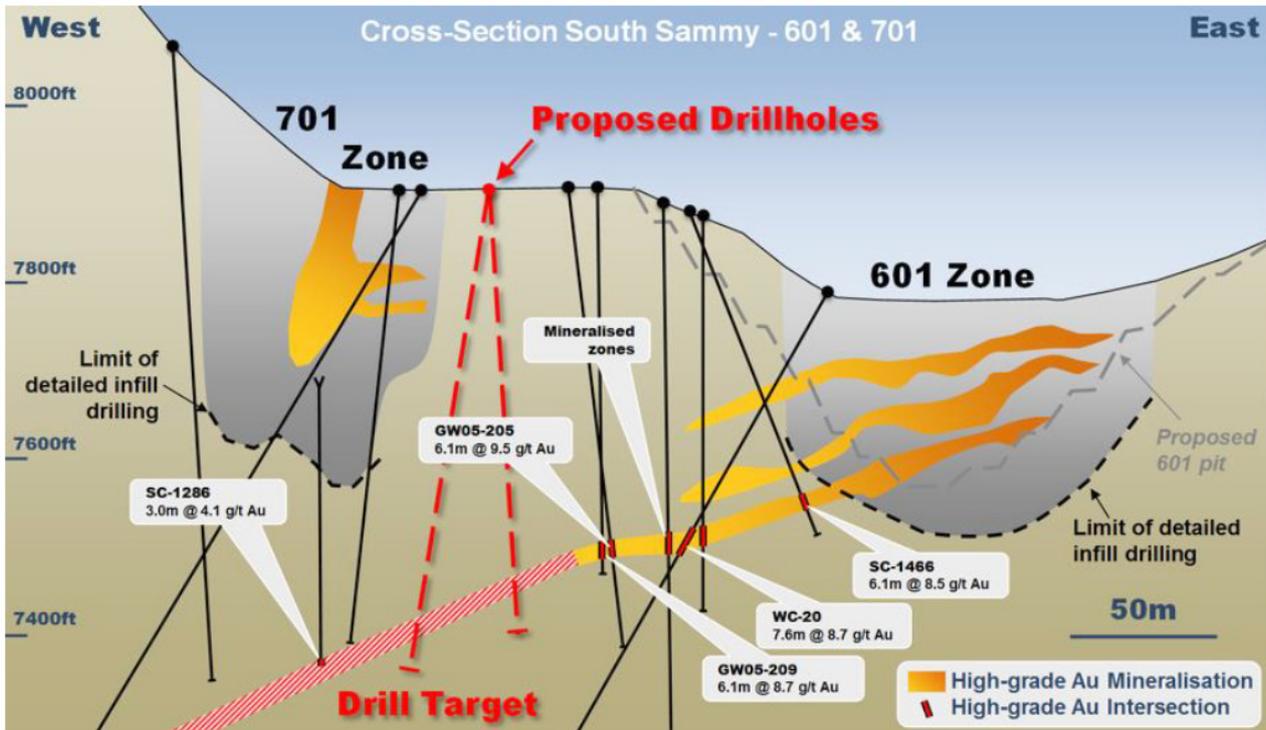
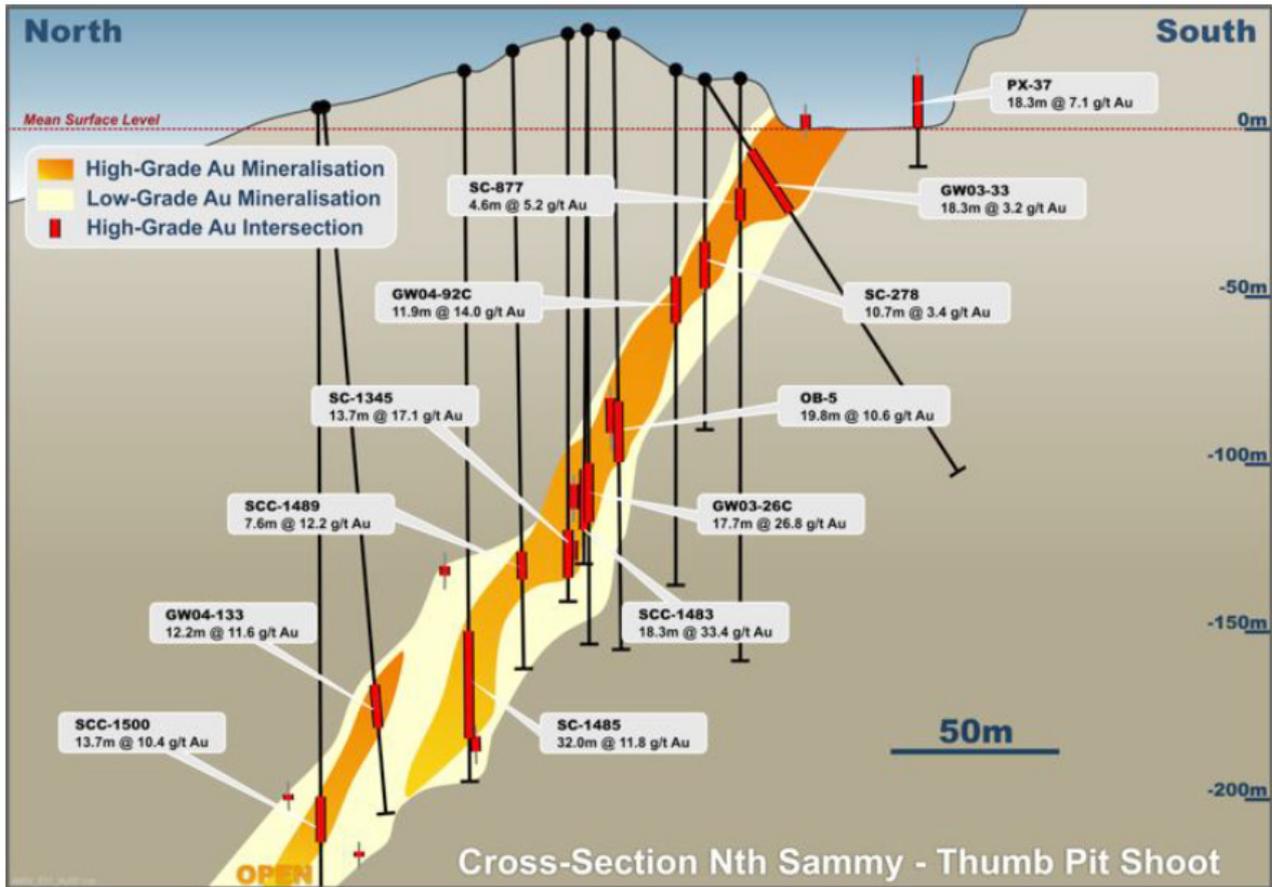
I appreciate these are not the most straightforward pictures to look at, but let me draw your attention to some of the higher grades that have been discovered so far.

As you can see they are much higher than the average grades found in other gold discoveries around the world (the third diagram) – which come in at around 1.8 g/t. Now the average grade for this resource is currently 2.0 g/t for 1.03 million ounces - with potential to dramatically expand on these numbers – see the intersections with high grades in.

I also appreciate the data is a little old, but it goes back over 60 years and the trend is clearly downwards. These high grades are particularly exciting because the mine is due to be restarted, so we know that with OLD technology they've been able to recover the gold.

So gold recovery should not be an issue once it's mined – one less thing to worry about.

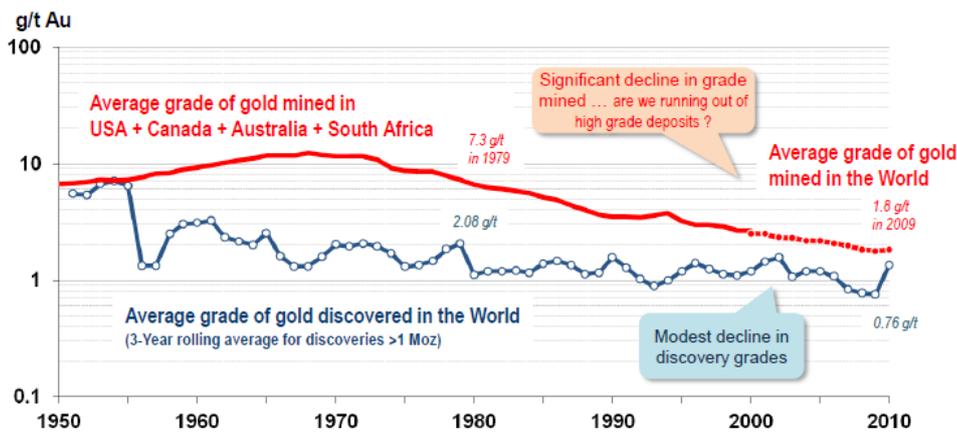
# North Sammy Underground



Source: Company presentation

## Trend in average ore grades

Average ore grade for all primary gold discoveries >1 Moz in the World versus average head grade of ore mined



Source: Minex Consulting

To summarise the case, there already is a defined resource of 1.03 million ounces of gold – with potential to significantly increase resources.

Most of the permitting is in place and they are rapidly moving towards production in Q4 this year. Only around \$2m of capital expenditure is required to take it into production, so they're not at the mercy of capital markets to provide funding.

The market already really likes this stock (see recent performance), but with more news on the exploration front or an upswing in the gold price, the shares could really take off.

Bear in mind it's a smaller company with less liquidity in the shares, meaning volatility is an issue – you need to accept that you may have to watch the share price go through ups and downs. This is true with all explorers and doesn't affect my valuation.

**Action to take: BUY Anova Metals Limited (ASX:AWV)**

### Summary

#### Key Points

<p>Permitting and planning in final stages</p>	<p>Low CapEx to commence production (~ \$2 Mil)</p>	<p>Open pit mining proposed to commence Q3 2016</p>	<p>Underground mining proposed for Q4 2016</p>
<p>Cashflow generation to fund expansion of operations and provide a return to shareholders</p>	<p>Exploration and resource definition drilling to commence Q3</p>	<p>Nevada an excellent mining jurisdiction</p>	

Source: company presentation



Five year performance: 2011 N/A | 2012 -14% | 2013 -71% | 2014 +35% | 2015 +81%

Price on 27 June:	\$0.13
Currency:	AUD
Market Cap:	\$47m
52 week low/high:	\$0.03/\$0.15
<i>Source: Bloomberg</i>	