

31 October 2018

## **QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 SEPTEMBER 2018**

### **SUMMARY**

- **Big Springs Gold Project Nevada divestment continues to allow Anova to unlock significant value and to focus on WA assets**
- **Detailed review of Second Fortune Mining Campaign provides a high level of confidence for future operations**
- **Refinancing of Loan Facility completed**

### **SECOND FORTUNE**

#### **Review of Mining Campaign**

The first mining campaign at Anova's Second Fortune gold mine commenced in November 2017 and was completed in July 2018. The campaign included development of a new portal and decline to intersect the old workings on level 1 and level 2, then mining, sorting and toll milling of remnant ore from level 1 and production from a full strike of new development and stoping on level 2.

Mining was conducted as a campaign to evaluate the geology and resource models, mining method, ore sorting process and toll treating arrangements prior to committing to a full development plan.

The geology model for the main vein performed well and confirmed the continuity of the vein. Mapping of the vein highlighted the simple geometry of the northern extents, confirmed the presence of higher grade shoots developed in the central zone and added to the understanding of the more complex vein structure in the southern zone. Face sampling of the veins showed good general agreement with predicted grades however the final reconciliation with the resource model showed areas of high grade were overestimated in the model by around 15% for level 2.

As flagged in previous Second Fortune updates, geotechnical problems were a significant issue. Additional costs were incurred for ground support in shallow areas of the decline. Similar problems on level 1 south resulted in dilution and the loss of areas of the stope. On level 2 there were areas of significant dilution in the stopes due to hanging wall failures. The failures in level 2 only became evident at the completion of the campaign once ore was extracted and final surveys were completed.

The increased tonnages from dilution caused significant increases in both the haulage and processing costs for the first campaign.

The ore sorter performed as expected technically but did not achieve forecast production rates and less material was sorted than planned. The fines generated in the mining operation were higher than forecast causing a reduction in sortable material. Development ore was effectively sorted with greater

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than three times upgrade to product although the lower production rates added to unit costs for sorting.

Key points and statistics for the mining campaign are outlined below:

- Mining unit costs were in line with forecast.
- Significant savings in administration and other areas partially offset cost increases due to additional development, ground support and increased tonnes from dilution.
- Total gold produced: 3,701 oz vs forecast of 5,503 oz.
- Total tonnes milled: 37,637 vs forecast of 17,486.
- Average mill grade of 3.24 g/t vs forecast of 10 g/t.
- Toll treatment at Burbanks mill performed as forecast with 94% recovery.
- Difference in grade and tonnages largely due to unplanned dilution from hanging wall failures in stopes.
- Significantly lower than forecast throughputs and utilisation for the ore sorter with around 15,000t of low grade being sorted, compared to a forecast of 33,000t.
- Additional tonnages from dilution and less tonnes processed by sorting resulted in an additional 20,000t sent for milling, resulting in increased transport and milling costs of around \$1.5m.
- Difference in total ounces is attributed in equal part to:
  - loss of ore on level 1 due to geotechnical problems with stope; and
  - overstatement of ore grades in block model next to high grade areas.
- Level 2 stope produced approximately 3,358 oz vs forecast of 4,025 oz.
- Block model reconciliation on level 2 shows model has overstated grade by approximately 18% in the vicinity of high-grade zones.

Higher costs due to additional ground support and the impact of dilution on haulage and processing costs resulted in around \$2m increased costs above forecast. Total gold recovered was approximately 1,800 oz less than forecast, primarily due to losses on the first level due to poor ground and negative reconciliation with the block model. The combined impact of both higher costs and reduced revenues resulted in negative cashflows for the campaign. The problems of poor ground conditions were limited to the weathered shallow parts of the mine in the early decline and first level and not expected to be of further concern. The problems with stope hanging wall failures and consequent dilution are attributed to the use of wider development drives and no similar stability issues have been observed in the older areas of the mine. It is expected this dilution can be adequately managed using narrow development drives.

#### **Forward Plan**

A new mine plan has been developed with smaller development drives and otherwise using actual costs determined from first campaign, with updated assumptions on geology and resource. Under this plan, continuation of mining deeper levels is considered viable.

Discussions are ongoing with various parties, including GBF, in relation to the continuation of mining at Second Fortune. Alternative development models are also being explored which may reduce some of the costs and risks associated with the previous campaign.

The company will release an update on the resumption of mining activities as soon as mine plans and financing requirements have been finalised.

### **BIG SPRINGS**

In July 2018 the Company announced its intention to divest its Big Springs Gold Project. The divestment process continued throughout the quarter. The Company has also undertaken a review of ongoing costs and significantly reduced expenditure where possible.

The Company is still targeting completion before the end of this calendar year. The process concerning a potential divestment transaction Remains confidential, however Anova will keep the market informed in the event of a material development from the process. There is no certainty that the process will lead to the divestment of the Big Springs Gold Project and any agreement, once entered into, will be disclosed and be subject to any necessary regulatory approval process including any approvals required by the ASX.

### **CORPORATE**

During the quarter the Company entered into a Facility Agreement with Twynam Agricultural Group Pty Ltd, who hold and invests in a diverse portfolio of listed and private investments including early stage investments in the green technology, agricultural and mining industries. The \$3m Facility provided Anova with the ability to re-pay the six-month financing Facility that was provided by a loan syndicate and drawn down in February 2018.

Key Facility terms include:

- Interest rate of 10% per annum, payable monthly;
- Maturity date being earlier of 24 months from drawdown or sale of the Big Springs Project;
- 50,000,000 unlisted options over Anova shares, exercisable at 4.5 cents per share by 30 June 2020;
- Secured over all the assets of Anova Metals Australia Pty Ltd, Anova Metals Ltd and Big Springs Project Pty Ltd (owner of the Big Springs Project); and
- Minimum interest over the Facility term of \$300,000.

The Company is currently in the advanced stages of completing disposals of non-core tenements from the WA tenement package and will update the market in due course.

## Mineral Resources

Project	Measured			Indicated			Inferred			Combined		
	kT	Grade	Koz	kT	Grade	Koz	kT	Grade	Koz	kT	Grade	Koz
<b>Big Springs (JORC 2012)</b>	641	5.6	116.1	4,762	2.2	343.3	10,630	1.7	570.4	16,032	2.0	1,029.9
<b>Second Fortune (Linden)</b>												
Main Lode (JORC 2012)	-	-	-	211.8	9.8	66.7	35.4	8.0	9.1	247.2	9.5	75.8
Hangingwall Lode (JORC 2004) <sup>1,2</sup>	-	-	-	-	-	-	58.2	8.2	15.3	58.2	8.2	15.3
Footwall Lode (JORC 2004) <sup>1,2</sup>	-	-	-	18.5	8.9	5.4	52.9	7.4	12.5	71.4	7.8	17.9
West Lode (JORC 2004) <sup>1,2</sup>	-	-	-	4.2	4.2	0.6	107.2	6.1	21.0	111.4	6.0	21.6
<b>Second Fortune Sub-Total</b>	-	-	-	234.5	9.6	72.7	253.7	7.1	57.9	488.2	8.3	130.6
<b>Zelica (JORC 2004)<sup>1</sup></b>	-	-	-	358.2	1.7	19.0	212.6	1.6	11.0	570.8	1.6	30.0
<b>Malcolm (JORC 2004)<sup>1</sup></b>	-	-	-	-	-	-	142.2	8.3	37.9	142.2	8.3	37.9
<b>Combined Total of Mineral Resources</b>	<b>641</b>	<b>5.6</b>	<b>116.1</b>	<b>5,355</b>	<b>2.5</b>	<b>435.0</b>	<b>11,238</b>	<b>1.9</b>	<b>677.2</b>	<b>17,233</b>	<b>2.2</b>	<b>1,228.4</b>

Note: Appropriate rounding applied

1. Mineral Resource has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
2. Second Fortune other veins - 4.0 g/t Au lower cut-off (minor rounding variations may occur)

## Ore Reserves

Project	Proved			Probable			Combined		
	kT	Grade	Koz	kT	Grade	Koz	kT	Grade	Koz
<b>Second Fortune</b>	-	-	-	339.0	6.0	65.0	339.0	6.0	65.0
<b>Combined Total of Ore Reserves</b>	-	-	-	339.0	6.0	65.0	339.0	6.0	65.0

Since the Mineral Resources and Ore Reserves were reported in the 2017 and 2018 Annual Reports of the Company, there have been no changes to the Mineral Resources or Ore Reserves reported by the Company. A mining campaign at the Second Fortune project was completed in the intervening period. Please see the Review of Operations for details of the mining campaign and the ASX Release 15 August 2018 for further detail. A depleted Resource and Ore Reserve has not yet been completed by a Competent Person. The Company will release an updated Resource and Reserve Statement as soon as reasonably practicable and upon completion of the review by the Competent Person.

#### Competent Person Statement – Big Springs Project

The information in this report that relates to Exploration Results and Mineral Resources for the Big Springs Project is based on and fairly represents information compiled by Mr Lauritz Barnes (Principal Consultant Geologist, Trepanier Pty Ltd). Mr Barnes is a member of both the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Barnes consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

#### Competent Person Statement – Second Fortune (Linden) Project

The information in this report that relates to Exploration Results and overall supervision and direction of Mineral Resources (including database compilation, sampling processes, geological and mineralisation interpretation, project parameters and costs) is based on and fairly represents, information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australian Institute of Geoscientists). Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Information in this report that relates to estimation, depletion and reporting of the Second Fortune Main Lode Mineral Resources is based on and fairly represents, information and supporting documentation compiled by Mr Mike Job who is a Member of the Australasian Institute of Mining and Metallurgy and at the time, a full time employee of QG Consulting Pty Ltd. Mr Job has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Job consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Ore Reserves has been compiled by Mr Andrew Gasmier, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Gasmier is employed full time by Mining Plus. Mr Gasmier has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gasmier consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### Competent Person Statement – Zelica Project

The information in this report that relates to Mineral Resources for the Zelica Project is based on and fairly represents information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australian Institute of Geoscientists). Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. **The information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.** Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Information in this report that relates to the Zelica Mineral Resources is based on information compiled by Don Maclean (Member of the Australian Institute of Geoscientists). Mr Maclean, at the time of estimation, was a principal consultant for Ravensgate Mining Industry Consultants Pty Ltd. Mr Maclean has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maclean consents to the inclusion in the report of the statements based on his information in the form and context in which they appear.

#### Competent Person Statement – Malcolm Project

The information in this report that relates to Mineral Resources for the Malcolm Project is based on and fairly represents information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australian Institute of Geoscientists). Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. **The information was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.** Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

## TENEMENT SCHEDULE

<b>Western Australia</b>		
<b>Tenement reference</b>	<b>Location</b>	<b>Percentage Held</b>
E39/1232	Linden	100%
E39/1539	Linden	100%
E39/1754	Linden	100%
E39/1977	Linden	100%
L39/0012	Linden	100%
L39/0013	Linden	100%
L39/0014	Linden	100%
L39/0230	Linden	100%
M39/0255	Linden	100%
M39/0386	Linden	100%
M39/0387	Linden	100%
M39/0500	Linden	90%
M39/0629	Linden	100%
M39/0649	Linden	100%
M39/0650	Linden	100%
M39/0794	Linden	100%
P39/5599	Linden	100%
E39/1897	Zelica	100%
M39/1101	Zelica	100%
L39/261	Zelica	100%
L39/270	Bar Twenty	100%
L39/271	Bar Twenty	100%
M37/1164	Malcolm	100%
E37/1294	Malcolm	100%
<b>Nevada, USA</b>		
<b>Tenement reference</b>	<b>Location</b>	<b>Percentage Held</b>
NDEEP-31, NDEEP-32	Big Springs	100%
TT-108 to TT-157, TT-163, TT-164, TT-185, TT-187, TT-189 to TT-204, TT-220 to TT-267, TT-327 to TT-344	Big Springs	100%
NDEEP-18, NDEEP-19, NDEEP-35, NDEEP-36, NDEEP-52, NDEEP-53	Dorsey Creek	100%
TT-158 to TT-162, TT-169 to TT-184, TT-186, TT-188, TT-275 to TT-277, TT-290, TT-291, TT-297 to TT-301, TT-305 to TT-311	Dorsey Creek	100%
DOME-1 to DOME-51	Golden Dome	100%
GD-52 to GD-61, GD-63, GD-67 to GD-76, GD-79 to GD-90, GD-92 to GD-136, GD-139 to GD-154, GD-157, GD-164 to GD-173, GD-176, GD-181, GD-182, GD-185, GD-186, GD-189, GD-190, GD-193, GD-194, GD-197 to GD-199, GD-201, GD-203, GD-205, GD-207, GD-209, GD-211, GD-213, GD-215, GD-217, GD-219, GD-221, GD-223, GD-225, GD-265 to GD-286, GD-297 to GD-318, GD-381 to GD-428	Golden Dome	100%
MP-14, MP-16, MP-18, MP-41, MP-43, MP-45, MP-47, MP-49 to MP-54	Golden Dome	100%
NDEEP-1 to NDEEP-16, NDEEP-44 to NDEEP-90	Golden Dome	100%
JAK-14, JAK-16, JAK-18, JAK-20 to JAK-38, JAK-99 to JAK-116, JAK-170, JAK-172, JAK-174, JAK-176, JAK-178 to JAK-186	Jack Creek	100%
BS-500 to BS-550, BS-557 to BS-579	Mac Ridge	100%
MR-500 to MR-524, MR-526, MR-528, MR-530 to MR-537	Mac Ridge	100%
NDEEP-33, NDEEP-34	Mac Ridge	100%
TT-205 to TT-219	Mac Ridge	100%

**Private lands, which include all minerals, subject to a 2% NSR royalty to Ellison Minerals, Inc. Per below:**

**Township 42 North, Range 54 East (148.552 Hectares):**

Section 7 - Lot 4 (SW¼ SW¼); SE¼ SW¼; NE¼ SE¼

Section 8 - N ½ SW¼

Section 31 - Lot 2 (SW¼ NW¼); Lot 4 (SW¼ SW¼); NE¼ SW¼; SW¼ SE¼

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

**Anova Metals Limited**

ABN

**20 147 678 779**

Quarter ended ("current quarter")

**30 Sept 2018**

#### Consolidated statement of cash flows

<b>1. Cash flows from operating activities</b>	
1.1 Receipts from customers	
1.2 Payments for:	
(a) exploration & evaluation	
(b) development	
(c) production	
(d) staff costs	
(e) administration and corporate costs	
1.3 Dividends received (see note 3)	
1.4 Interest received	
1.5 Interest and other costs of finance paid	
1.6 Income taxes paid	
1.7 Research and development refunds	
1.8 Other (provide details if material) - Bonding	
<b>1.9 Net cash from / (used in) operating activities</b>	
<b>2. Cash flows from investing activities</b>	
2.1 Payments to acquire:	
(a) property, plant and equipment	
(b) tenements (see item 10)	
(c) investments	
(d) other non-current assets	
2.2 Proceeds from disposal of:	
(a) property, plant and equipment	
(b) tenements (see item 10)	
(c) investments	
(d) other non-current assets	
2.3 Cash flows from loans to other entities	
2.4 Dividends received (see note 3)	
2.5 Other (provide details if material)	
<b>2.6 Net cash from / (used in) investing activities</b>	

Current quarter \$'000	Year to date (3 months) \$'000
2,724	2,724
(365)	(365)
-	-
(2,519)	(2,519)
(86)	(86)
(30)	(30)
-	-
1	1
(92)	(92)
-	-
121	121
10	10
<b>(235)</b>	<b>(235)</b>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<b>-</b>	<b>-</b>

	Current quarter \$'000	Year to date (3 months) \$'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(2)	(2)
3.5 Proceeds from borrowings	3,000	3,000
3.6 Repayment of borrowings	(3,000)	(3,000)
3.7 Transaction costs related to loans and borrowings	(17)	(17)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(19)</b>	<b>(19)</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	568	568
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(235)	(235)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(19)	(19)
4.5 Effect of movement in exchange rates on cash held	(1)	(1)
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>313</b>	<b>313</b>

#### Reconciliation of cash and cash equivalents

	Current quarter \$'000	Previous quarter \$'000
5. at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	313	567
5.2 Call deposits	-	1
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>313<sup>1</sup></b>	<b>568</b>

<sup>1</sup> Additionally, gold inventory of 49.12 ounces held as at end of quarter.

#### 6. Payments to directors of the entity and their associates

	Current quarter \$'000
6.1 Aggregate amount of payments to these parties included in item 1.2	7
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Payment of interest (\$7k) on financing facility	

#### 7. Payments to related entities of the entity and their associates

	Current quarter \$'000
7.1 Aggregate amount of payments to these parties included in item 1.2	3
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
Payment for administration and technical staff and provision of a fully serviced office	



**Financing facilities available**

8. Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$'000	Amount drawn at quarter end \$'000
3,000	3,000
-	-
-	-

Lender – Twynam Agricultural Group Pty Ltd  
 Interest rate of 10% per annum, payable monthly. Minimum interest over term of \$300,000  
 50,000,000 unlisted options over Anova shares, exercisable at 4.5 cents per share by 30 June 2020.  
 Secured over all the assets of Anova Metals Australia Pty Ltd, Anova Metals Ltd and Big Springs Project Pty Ltd (owner of the Big Springs Project).

9. **Estimated cash outflows for next quarter**

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material) – Repayment of debt (see section 8).

9.7 **Total estimated cash outflows**

\$'000
90
-
-
11
120
-
<b>221</b>

**Changes in tenements (items 2.1(b) and 2.2(b) above)**

10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced

10.2 Interests in mining tenements and petroleum tenements acquired or increased

Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
-	-	-	-
-	-	-	-

**Compliance statement**

1. This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2. This statement gives a true and fair view of the matters disclosed.



**Mr Steven Jackson**

Company Secretary

Date: 31 October 2018

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.