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Creating a core investment for an uncertain world - the path ahead



Alex Tsukernik

President, CEO and Director,
Nova Royalty Corp.

Dear Nova Shareholders,

We started Nova in 2018 with a clear vision - to create the world's premier copper investment at a time when copper was just emerging as the key driver of the new 21st century energy supply chain. We saw the large-scale copper deposits of today as comparable in significance to the great oil fields of the early 20th century. We believed then, as we do now, that the royalty model - which provides exposure to project and commodity price upside without any of the capital and operating costs - is the best way to participate in any commodity. As an early mover in the copper royalty space, we have executed on this vision and built an irreplaceable portfolio of royalties representing a significant proportion of the next generation of major copper projects. Our projects are being actively advanced into production by the world's leading mining companies - allowing Nova to participate in the energy transition from an ideal position of opportunity and stability.

COPPER MINES: THE CRITICAL DEPOSITS

The most overlooked aspect of the copper sector is the incredible scarcity of viable deposits. On average, there is less than one major copper mine built globally per year. As clean energy drives an increasingly significant portion of copper demand in the coming years, securing supply to deliver the energy transition will become an issue of national strategic importance. With EVs using up to 7X more copper than fossil fuel vehicles, copper's role in the world will only continue to grow.

Globally, we estimate that no more than 15-20 companies are capable of successfully assuming the financing requirements, permitting risks, increased taxes, and all manner of unexpected risks that come with bringing a major copper mine online. And even among that group, the

actively advancing assets in Nova's portfolio are clear industry standouts at a time when many major companies are being conservative with project development. Nova's diversified portfolio of royalties on these major copper assets represents a unique, scarce asset - whose value will only become more apparent over time.

Copper comprises approximately 90% of our portfolio, but we also see opportunities in selected nickel deposits that will be integral to regional EV supply chains. We now live in a world where project location and security of supply are increasingly more important than just size and grade. As automakers look to stabilize their supply chains, we believe that advantageously-located, permissible nickel deposits will occupy a uniquely valuable position.

TARGETED, CONSISTENT EXECUTION

Nova's growth strategy is focused on two main pillars: (i) large-scale, long-life, tier-one development projects in stable jurisdictions; and (ii) sustainably profitable, producing, mid-sized mines that can operate successfully across commodity price cycles.

When we listed Nova in October 2020, we had two principal assets: royalties on the NuevaUnion and Dumont projects. In the 20 months since going public, we have completed nine transactions, all on our stated strategy.

Nova provides investors with diversified, multi-decade exposure to world-class assets while minimizing operating and capital cost exposure.

We have established a rock-solid foundation of royalties on high-quality, large-scale, tier-one assets. For example, the Taca Taca (First Quantum), Josemaria (Lundin Mining), and

the Copper World Complex (Hudbay Minerals) deposits are arguably the three most advanced major greenfield copper assets in the Americas. Lundin is completing detailed engineering and permitting work at Josemaria before a forecasted construction decision later in 2022. At Taca Taca, First Quantum is continuing pre-development and feasibility activities ahead of a construction decision in 2023-2024. At Copper World, Hudbay recently released a Preliminary Economic Assessment and is prioritizing accelerated project development with a potential construction decision in 2024. Nova has exposure to approximately one-third of the Americas' largest, most advanced copper assets, with a clear path to delivering significant multi-generational cash flow in a business with so few quality deposits legitimately advancing to production.

For some added perspective, our Taca Taca royalty alone is expected to deliver approximately US\$8 million per year at current commodity prices of just over US\$4 per pound of copper.

Given the project's initial 32-year mine plan, this would represent US\$250 million of undiscounted revenue. Considering that this is a sector where major copper mines have the potential to expand considerably from their initial mine plans, we are keen to see what is next for Taca Taca and our other projects as they progress.

With our foundational royalties in place, we are looking to backfill the portfolio with more mid-sized assets that have a clear path to production. Aranzazu, our first cash-flowing asset, has generated three consecutive quarters of record production since our acquisition in August 2021. Aranzazu currently covers most of our cash G&A expenses, and we expect to benefit from a full year of expanded operations in 2022. We look forward to updating the market as we add comparable assets to the portfolio.

POSITIONED FOR THE FUTURE

Nova provides investors with diversified, multi-decade exposure to world-class assets while minimizing operating and capital cost exposure. At a time when capital and operating cost pressures are impacting almost every operation, the advantages of our business model have never been greater. In an inflationary environment, investors will need to be more selective about their exposure, and Nova offers a compelling risk-reward in a challenging world.

As we grow further, we will look to pursue a public listing in the U.S., exposing us to a much wider universe of investors. With the initial long-term foundation of our portfolio complete, and a full pipeline of acquisitions on cash-flowing and tier-one assets, Nova has reached the next stage of its evolution. We look forward to the path ahead, and I thank you all for your kind support.



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