

Korelin Economics Report, Dr. Quinton Hennigh Oct 26, 2018
Comet Well Bulk Sample Results

<https://soundcloud.com/novo-resources/ke-report-interviews-chairman-quinton-hennigh>

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CF Welcome to a daily editorial here on the KE Report. This daily editorial we are focusing on a News Release out of Novo Resources. And, I am chatting with the president and chairman, Quinton Hennigh. Novo is traded on the TSX Venture Exchange under the symbol NVO and on the OTCQX under the symbol NSRPF.

Quinton, we finally have some results...these bulk sample results were released earlier today. And that's why I'm reaching out to you. I would like to get some more color on these results, first and foremost, how the processes went to finally get these out to the market and what they're telling you about the overall project.

0:45

QH Certainly Cory. We're very happy to finally have a suite of samples back from Comet Well, as everyone knows, it's been a delay. We've had numerous problems weather related, and then equipment problems at the laboratory. But we've managed to pull off receipt of around 24 samples that have been discussed in a News Release today. I'm pleased with the science that went into these samples. We did very good work. I think the bulk sampling process has given us at least an indication of gold, given that this is a very nuggety gold system. Alright, the gold bearing conglomerates at Comet Well. This is Comet Well specifically, are comprised of two separate units. We have one that sits on the bottom of the sequence of the Fortescue Group. It's called the Lower Cannon Ball Conglomerate and we have one that's about fifteen meters or so stratigraphically above that which is called the Upper Cannon Ball Conglomerate. We took samples from both units. We also took samples a bit above and a bit below each unit. Really what we had to do on the ground was determine the boundaries of these units. So some of the samples people see today will be from the, we'll call it, the barren material above or below the gold bearing units. You know, as far as science goes we had to establish those boundaries as part of our effort here. But we also now can say a lot about what we're seeing in terms of variability in the grade within these samples. Alright, so from the Lower Cannon Ball Conglomerate we have a suite of four samples, 157 and 158 are actually stacked on top of each other. They basically comprise a 1.4 meter section with a weighted average grade of about 6.1 g/t. Nearby we have another couple of samples, 160, 161 which have a weighted average grade over a 1.8 meter vertical profile of 2.4 g/t. I think that these samples are reflective of the grade in that area, with the obvious difference in the two numbers, it tells you a bit about the variability that we're seeing but I do think that these are at least giving us our first accurate indication of what's going on. One of the interesting things that we found is that the amount of gold that is actually in the nuggets themselves within these samples, is "kind of" all over the map. I mean, some samples we get lots of nuggets, and they comprise most of the gold that we recover. In

other samples we might see just a couple of nuggets. And the contribution of gold from those nuggets might be a much smaller proportion of the overall sample. So, that was an interesting finding. We do think that most of the gold is associated with the nuggets, regardless of how much is in nugget form. In other words, we see good geologic evidence that we have the nuggets with the halo gold around them as we've described in the past. Alright, from the Upper Cannon Ball Conglomerate, this is the unit that is about 15 meters or so above the Lower Cannon Ball Conglomerate. We have 5 samples. These samples are scattered along the strike from the Cannon Ball Gully Area all the way to Drum Gully, which is on the boundary between the Comet Well tenement and the Purdy's Reward tenement. So it's 1200 meters along strike. We have 5 samples, 171 grades 1.22 g, 198 grades 2.3 g, 223 grades 4.5 g, 224 grades 1.2 g, and 227 grades 3.1 g. Again, quite a spread in the range of grade. It shows you the kind of variability that we're seeing. It's not unexpected. One thing about the Upper Cannon Ball Conglomerate, the nuggets tend to be larger and overall there's fewer of them within the samples. So in other words, the ultimate grade of the samples is largely determined by how many nuggets were encountered in each sample. On that note, one thing I must bring up is that, as a team, we've tried to be as geologically representative as we can when we're sampling. If we wanted to we could probably go out there and find, or identify areas where there's a high concentration of gold nuggets in a small area and sample that, and come back with much much higher numbers. But, we are trying to do good science here. And we are taking samples that I would consider at least geologically representative. In other words, we're not biasing, we're not looking at biased samples here. These are fairly reflective of the kind of background levels I think we'll see out of these conglomerates.

6:06

CF Alright Quinton, let's also talk about the grade of these samples. We're seeing a wide range of grade and I understand, you've have tried to take representative samples, you've been very up front about that. But what can you address to some of the investors that are going to be looking at these and saying these really didn't meet my expectations?

QH I think a lot of people saw some of our earlier samples and the first samples we collected were 300 kilo ones, these were at Purdy's Reward late last year. And, late in the year we recognized that the sample size was too small. They were only 300 kilos, and we therefore bumped up the sample size considerably, to say on the order of 5 plus tons. And that's the numbers that I just quoted for you are these much much larger samples. But anyway, we do have a bit of a picture from Purdy's Reward if people will recall, I think we presented that data in mid-February. And although those samples were smaller, there was a lot more highs and lows, I'll call it, in those samples. I think that was a reflection of the small sample size, in other words, the smaller the sample you take the more noisy the variability gets. So I think these samples that we have and I can talk about today are giving us a more, we'll call it, indicative grade of what we should expect of what mother nature has delivered here.

7:33

CF OK Quinton, Thank you for kind of straightening that out. And again, addressing just how important it is to keep on gathering larger and larger samples at this project to move forward and hopefully get to that trial mining phase when you can get those leases. I also want to talk about kind of a conceptual topic. That has been brought up by a number of analysts and other commentators and that is the comparison of these Projects and the Witwatersrand. Can you address some of these comments that have been made?

QH The amount of gold, say in conglomerates from the Witwatersrand Basin, for example – is very different conglomerates first of all, the Wits conglomerates are pebble conglomerates usually, and they're thin, ok. They're maybe half meter to a meter thick. They mine these things in mine workings that are about 1.1 meter tall, so the nominal size of the stope in an underground mine in South Africa is about 1.1 meter. The average grade currently, I believe, is around 6 grams per ton. All right, so if you do a little math and use a density of 2.7 for the Witwatersrand conglomerates, which are largely quartz, you get on the order of a few hundred thousand, say five hundred to eight hundred thousand ounces of gold per square kilometer. Alright...so the gold inventory of those conglomerates in the Wits is on that order of magnitude. If you look at the gold that we've got here at Karratha now, and you do an aggregate thickness of the gold that we're seeing here. Call it maybe two and a half to three and a half meters in aggregate total thickness at a grade of say, weighted average grade on the order of 2.5 grams and do a calculation, surprisingly you get about the same gold inventory. Say seven hundred thousand ounces, or twenty-eight tons thereabouts of gold per square kilometer. I find that remarkable. The conglomerates are just night and day. What we have at Comet Well are big bouldery conglomerates. The gold is quite coarse. The gold is erratically distributed through our conglomerates with respect to those in the Witwatersrand Basin. So we've had these challenges but nonetheless, we're starting to see a picture that suggests that the gold inventory, geologically that mother nature has delivered about the same amount of gold per square kilometer in Karratha as in the Witwatersrand Basin. Look, I want to be very careful. I'm not trying to say this impacts potential economics and things like this. These are all things we have to look at in great detail going forward. I'm just pointing out on a geologic basis this is quite meaningful. And it really says something about the potential of the Fortescue Group to host significant gold mineralization.

10:41

CF Ok, so Quinton, for the people that have been following along and listening to your presentations, I think we all understand that all of these exploration tactics that you're doing is moving you towards getting some mining leases so that you can actually get on the ground and do some trial mining at these projects. How do these results move you closer to this goal?

QH Yes Cory, I'm glad you brought that up. Because we've talked repeatedly now about the strategy that we're pursuing. Our goal is to get enough data out of these bulk

samples and then also data out of our diamond drilling that gains us a sense of the continuity and extents of these conglomerates so that we can put together a mineralization report which is a document that's needed to convert an exploration license to a mining lease in Australia. It's very important for us, we'd like to make that direct connection between exploration into mining. And we are looking to go trial mining. I've said repeatedly, that this kind of system, it's akin to a diamond system. We need to go out and bulk sample. What I mean by that is sampling on the order of plus ten thousand tons for multiple sites. That will give us a much better indication of grades and distribution of gold within these two gold bearing units.

12:12

CF Ok, now I know that there still are a lot of questions that our listeners have and we will address those in a future interview, but this is already running a little bit longer. So, I do want to also ask what's going on with the Egina Property. We just heard about that acquisition only about a couple of months ago. And one of the benefits of this Egina Property is the mining leases you already have. Can you clarify how everything is going to be moving forward here?

QH Sure thing. The Egina Property is about 120 kilometers east of Comet Well and Purdy's Reward. Amazingly it's on the same conglomerate sequence, or system – alright. So we're dealing with the basal conglomerates of the Fortescue Group. What we've found at Egina, or what we think is going on there is actually quite remarkable. Over time, nature has eroded back the Fortescue Group and all the gold that has been trapped in those conglomerates has been reconstituted in a Lag Gravel, that's sitting right at surface. This is an unconsolidated loose gravel with appreciable gold in it. Alright, so we see two targets at Egina. And shortly, I am going to be putting out plans...as a company, of how we're going to move this project forward. Not only do we see the conglomerate potential at Egina, we also see the significant potential within this Lag Gravel horizon. We anticipate it should be a project that going to be easier to move forward, because it is loose material. We should be able to do test work internally within the company as opposed to having to go through a long laborious process. If we had known about Egina...say eighteen months ago, we would have probably started there. I'll be frank. As crazy as that sounds, but that's the truth. It's a very intriguing property. It's not without challenge. We do have to work through native title agreements and heritage agreements with the native title party in this area. We want to build a good relation with the Aboriginals across the Pilbara region. So we not going to just go pal mal, but we will do good work. We will set a good foundation for Novo to work in Egina and evaluate that very exciting project.

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CF So Quinton, can you say right now, if there are enough similarities between Egina and, let's say Comet Well for when you do that work at Egina having it relate back to what, maybe future work can happen at the other projects ?

QH You know, Invariably I think there will be feedback. I think you're talking about is the iterative process of exploration. We're learning stuff all the time. And yes, at Egina we are seeing some subtle differences. For instance, the gold nuggets tend to be coarser than we see at Comet Well, at least the nuggets that are down in the alluvial flats. You know, we're going to learn a lot here, and we're going to apply what we learn from both properties. And really apply that knowledge across the Pilbara. People must remember, we have nearly 12 thousand square kilometers of exploration ground across the Pilbara, much of which is prospective for these types of conglomerates.

15:27

CF Alright Quinton, I do appreciate this update on the back of that news. As I mention, we still have a number of questions that we are going to get to. But, you and I are going to reconvene in about a couple of weeks when I get back from some of the conferences I am at, and when you are back, we will address some of those questions. So please everybody, stay tuned for those questions. Keep them coming in at fleck@kereport.com and in the meantime, we finally do have some bulk samples. Now we can start to look forward to paying attention to the bigger picture of moving towards these mining leases and getting on the ground for some trial mining. Quinton, again thank you for all your time today and thanks for sharing some more insights on the news.

Thank you, Cory.