

**Novo Resources Corp. - TSXV:NVO**

January 12, 2018

## Key Takeaways from Novo Update Call on Karratha Projects

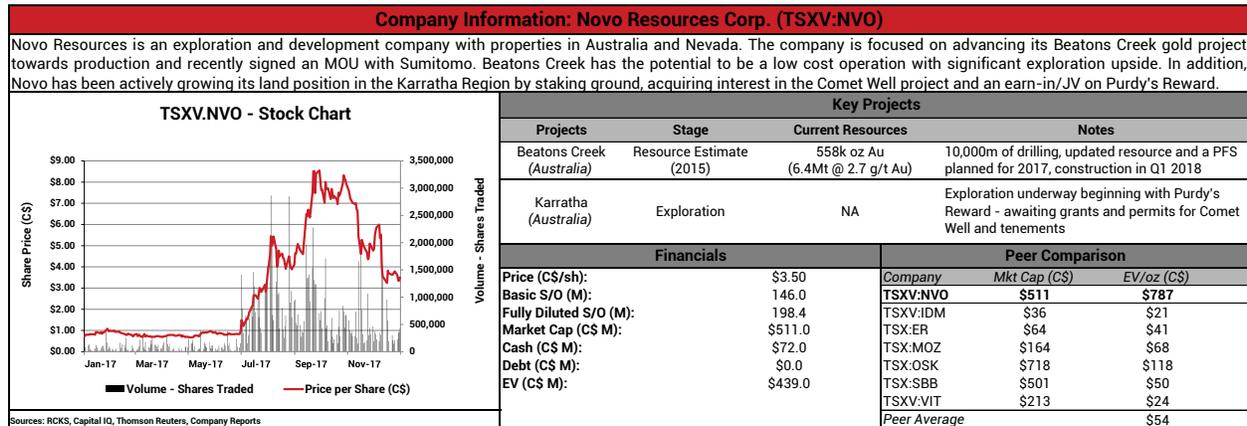
Red Cloud Klondike Strike Inc. and Novo Resources Corp. (TSXV:NVO) hosted a conference call for investors to provide an update on its ongoing exploration program on its Comet Well and Purdy's Reward tenements at its Karratha projects in northwest Australia. The audio from the call can be found [here](#). In our view there are three main takeaways from the call: 1) Multiple bulk samples from Purdy's Reward are pending, 2) Work at Comet Well is about to ramp-up and 3) Bulk sample size is like to grow from current ~300kg to up to 10 tonnes. We continue to believe the recent pullback following Novo's exploration update in-late December has created an opportunity for investors.

**Most bulk samples from Purdy's still pending.** The company has completed 15 trenches over the 1.5km strike length at Purdy's Reward, the majority of these results are currently being processed and are expected to be released over the course of the first quarter. Recent exploration data has indicated that the coarse-grained gold at Purdy's Reward occurs as a sheet-like mineralization which suggests bulk sampling is well suited for grade estimation at Purdy's Reward. The company is contemplating the use of large diameter Bauer drill rigs, as an alternative, but it remains early days.

**Comet Well permits just around the corner.** The company has recently been granted its tenements at Purdy's Reward and submitted three permit applications shortly after Christmas. The permits include one for trenching, one for drilling and one for excess tonnage sampling. The company has already been given the permit for excess tonnage sampling and is expecting the other two by the end of the month. Once the permits have been received, the company plans shift its focus from Purdy's Reward to Comet Well and commence aggressive exploration on the property, starting with scout diamond drilling for structure, followed by bulk sampling.

**Appropriate sample size may be up to 10 tonnes.** The company has also announced the hiring of independent coarse grade gold expert, Dr. Simon Dominy, to undertake a comprehensive size analysis of gold distribution in a 3-tonne sample to help determine appropriate sample size and the appropriate methods of analyzing the large samples to obtain results that can be relied upon for grade determination. The company has indicated that the minimum sample size may be as large as 5-10 tonnes. Processing a 5-10 tonne sample is likely to require a pilot scale plant to process the samples. We believe the company is well-funded to build a plant, but this requirement is likely to delay bulk sample results from Comet Well, until Q2 at which time the company should be able to generate a steady stream of sampling results.

**The recent pullback and expected news flow look like an opportunity.** The company's fully diluted market capitalization of ~C\$680 million continues to price in significant exploration success. If we take into account our preliminary value for Beatons Creek (C\$150-200 million), the market is ascribing a value of ~C\$590-640 million for Karratha. Using a C\$50/oz multiple this implies ~9.5-10.5 million attributable ounces, using C\$100/oz (to account, for the premium jurisdiction, likely low-cost mining and potential for high-grades) this implies ~4.5-5.5 million attributable ounces. While there are a number of variables and risks to any size estimate given the early stage of exploration, in particular grade, we view this size of resource at Purdy's Reward (50% interest) and Comet Well (80% interest) as likely. The company continues to aggressively work to demonstrate this potential and we will continue to evaluate as more data becomes available.



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Company Name	Ticker Symbol	Disclosures
Novo Resources Corp.	TSXV:NVO	1,2,3,4

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