Newrange Gold: A Unique Nevada Opportunity

Newrange Gold (CMBPF) recently published some eye-popping drill results from its Pamlico Property in southwestern Nevada. These are the kinds of drill results that take a company from nothing to the 'next hot thing' in the Gold (GLD) space.

From their latest press release, Newrange intercepted 4.6 meters of 43.8 grams/tonne Gold, including 0.8 meters of, get this, 244.3 grams/tonne Gold. Ready for the best part, it's just 13 meters below the surface.

That was part of a 76m deep hole that averaged 3.57 g/T over 70.9 meters of it. In an age where 1 g/T for a surface oxide deposit is a major find, this hole alone justifies significant attention.

Select High-Grade Drill Intercepts From Phase 1 Program (last 9 drill holes):

Hole	Az / Incl.	TD (m)	From (m)	To (m)	L (m)	Au g/T
P17-12	106° / -56°	106.7	**25.91**	**27.44**	**1.52**	**6.95**
And			**56.40**	**70.10**	**13.70**	**5.99**
Including			**57.93**	**62.50**	**4.57**	**14.52**
P17-13	125°/-45°	61.0	50.30	60.98	10.67	0.81
P17-14	125°/-45°	114.3	9.15	35.06	25.91	0.46
P17-15	106°/-45°	91.5	51.83	73.17	21.34	0.88
P17-17	0° / -90°	76.2	1.52	72.41	70.89	3.57
Including			**8.38**	**12.96**	**4.58**	**43.80**
Including			**10.67**	**11.43**	**0.76**	**244.30**
And			**22.87**	**23.63**	**0.76**	**35.40**
P17-18	18° / -77°	76.2	**54.12**	**64.02**	**9.90**	**15.27**
Including			**56.40**	**58.69**	**2.29**	**58.50**

Newrange released two sets of drill results in the past month and the two of them paint a pretty remarkable picture at Pamlico at such and early stage of exploration. I spoke with CEO and chief geologist Robert Carrington last week about this project and obtained a number of good insights not immediately apparent from the company's website.

The importance of these first two drill results at the Merritt decline is that they were done perpendicular to each other to begin defining a plane of high-grade intercepts. From here drilling will further define the volume of the project.

There is a tremendous amount of work to do yet.

But, with numbers like they've published and the geology and historical drilling data, there is every reason to believe Pamlico has the potential to become a world-class deposit.

At a minimum, this is a project that will get over the threshold to economically-viable pretty rapidly.

Background and History

Newrange began life as Colombian Mines Corp. in 2006. It has a pair of projects in Colombia it has developed. Both have had extensive work done on them with one, Yarumalito having a NI 43-101 report issued in support of it.

Those Colombian assets were the company's focus until 2016 when the Pamlico District property in Nevada came onto the market. This land was privately held for a century and the latest family that owned it, Goldyke Mines, was intent on mining it privately but the family was forced to sell due to financial issues and health-related matters.

Newrange came in and put together a deal for Pamlico for the lease/purchase agreement for the property which has no less than half a dozen targets on it. Goldyke put over $3 million into the property including drilling, initial permitting and the like.

Based on those drill results and the geology, Carrington decided on the Merritt formation as Newrange's first exploration project and these are the results the company just released.

The important takeaway here is that Pamlico is the kind of property that shouldn't exist in 2017. Properties like this in Nevada should have all been snapped up and drilled more extensively. But, if not for Goldyke being capital constrained, this would have been the case.

Carrington had a contact with Goldyke and, like all good stories, it's not just what you know, but who you know that matters. That's how Newrange got the property. One of my favorite aphorisms is that luck is where preparation meets opportunity. That seems to fit Newrange's involvement in Pamlico to a tee.

Location

So, in the review of a mining stock's potential grade is the most important. If the grade is spectacular then other considerations become less important. In the case of Pamlico we're looking at a property in western Nevada within 30 minutes of the town of Hawthorne (pop. 3300).

It is just 7.5 miles from U.S. Route 95A and is accessed by a county maintained road. Power runs through the property.

Pamlico is a mining district, comprised of 164 mining claims on Bureau of Land Management property over 2100 hectares in size. Its geology is complex because of extensive tearing along the fault. It lies at the intersection of two major gold bearing formations, the north-south Walker Lane Gold Belt and the east-west bearing Pancake Range Lineament.

This is what creates the opportunity for so many high-quality targets on a small property.

From an infrastructure standpoint, this is as attractive as it gets. It's in mining-friendly Nevada. It is close to existing ore processing facilities since there are multiple working mines the area.

There's power, paved roads and a nearby town to support it should it ever go into production.

Grade

These early results from Pamlico remind me of the wide-variability present at Pretium Resources (PVG) Valley of Kings property. I've been a fan of Pretium for years and it was one of the first stocks I recommended to my subscribers at Newsmax.

At Valley of Kings the problem with its highly-variable grade was that it created controversy initially as to whether it was an economically-feasible project, because there weren't typical ore bodies that could be easily identified, sized and a value placed on.

Instead, the gold at Valley of Kings is in thousands of filigrees which meant that to figure out its value, one had to sample the ore in bulk fashion and get an average grade over a large volume of mined material.

The results for Valley of Kings speaks for itself, its $700 million mine is ready to go into production later this year. These early results from the Merritt zone at Pamlico suggest Newrange may have a similar problem as Pretium did.

I brought this up with Mr. Carrington and he agreed with me. Pretium was a controversial subject at the time. But, we both agreed that the way Pretium CEO Bob Quartermain handled it was the right thing to do and could act as a model for future feasibility studies if the complex geography proves difficult to model.

As a former soil research and analytic chemist, I was aghast at how Pretium has treated by the industry back in 2013. You're going to mine the material in bulk, why wouldn't you sample it in bulk?

It seemed silly to me.

And with this Merritt target zone at Pamlico the host rocks point to a very easy recovery and bulk mine plan. The grade is excellent in the aggregate.

To me, the low-grade zones are the ones that pay the bills, keep the lights on and pay the workers. The high-grade zones are where the money is.

Mineralization and Recovery

Pamlico is the best kind of deposit. It's a surface oxide one. This means we're looking at an open-pit mine plan with minimal ore processing. This is about as low-cost as it gets if there is no silica encapsulating the gold or a lot of sulfides. Both of these make recovery of the gold a lot harder.

Part of the reason why the targets at Pamlico were overlooked earlier in its life is the lack of quartz. Quartz is a strong indicator of where to direct your exploration efforts and without it previous generations of geologists would have passed the site over.

Low quartz equals low silicon encapsulation.

Recoveries from the type of oxides present should be north of 95% with very little work. So, check off another box on this being a potentially cheap deposit to mine.

People & Business Model

In my discussion with Mr. Carrington, who I'd never spoken to before, it was obvious that he understood the geology of this project far better than I ever would. He should. His excitement for this project from a geologist's perspective was obvious, even though he's a fairly low-key person.

I don't evaluate gold explorers based on geology, primarily. And rarely would I even dream of profiling a company this early in the process, but everything about this screams success.

looking at it from the business model perspective, what I wanted to know was how he was going to get from where he was to where he was going.

And that brings me back to Colombia. Mr. Carrington felt so strongly about Pamlico that the projects in Colombia were put on hold. And I get the feeling that they will be offered up to the market to pay for future exploration in Nevada.

And as a potential investor that's what I want to hear. Because if there is a downside to Newrange it is that it's a bit expensive with a fairly high float. The firm has another couple of years of exploration and drilling to do, so I want to see legacy assets used to fund some of the exploration work.

This will be hard to do in the current Gold environment. But, that's okay because Newrange doesn't need to make that sale yet. The stock didn't budge on the latest drill results because the Gold market is terrible right now.

The company has around $2 million in the bank which it will use to do more drilling and some geophysical work – gravity anomaly in particular – which has never been done on the site since it's been locked up in private hands for a century.

The geophysical work will come first to help define the next exploration zones and see how it compares with other surveys in the area.

There will be more drill results coming in by mid-September and the geophysical work should be done by year-end. So, there will be a couple of new events which may move the price up if market conditions allow.

Some other highlights for me are as follows:

- The property deal is a good one. It came with a 4% net smelter royalty (NSR). But that can be bought off for $1 million per 1% NSR.
- They are purely looking to do the exploration, define the project and sell it to a major.
- The timing for them to have to raise significant capital should coincide (early 2018) with the beginning of the new bull market in Gold.

Conclusion

Newrange Gold is an exciting near greenfield opportunity in Nevada. It honestly, shouldn't exist and the work the company is doing should have been done in the 1980's. It has the potential thanks to its geography to become a world-class deposit.

It has everything you could ask for in an early-stage exploration project. It's the best kind of deposit situated on a property within easy reach of infrastructure in one of the best places to mine for Gold in the world. Management has decades of experience and multiple large deposits discovered and some resources to help it along without having to dilute shareholders too much during these early rounds of drilling.

The company is currently trading at C$0.53 per share ($0.43US). There is a gap on the chart from the first drill results in early June that will likely fill in here. Long-range support lies at C$0.20 – C$0.25. Layer in a position if you choose to buy one at or below C$0.40 per share on expected Gold weakness for the next couple of weeks.

Look for the June low (C$0.32) to hold this month before taking a full position at these prices. A further retreat in Gold will take the stock back below C$0.25 between now and September.