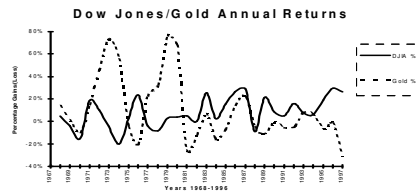




Gold



Energy & Tech Stocks

Weekly Hotline Message (Now in our 32nd Year) August 9, 2013

New Buy Recommendation

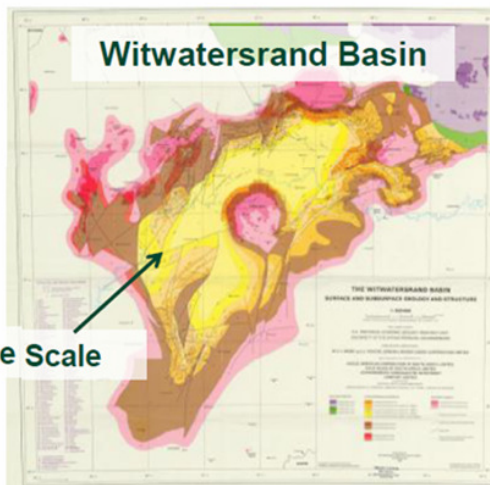
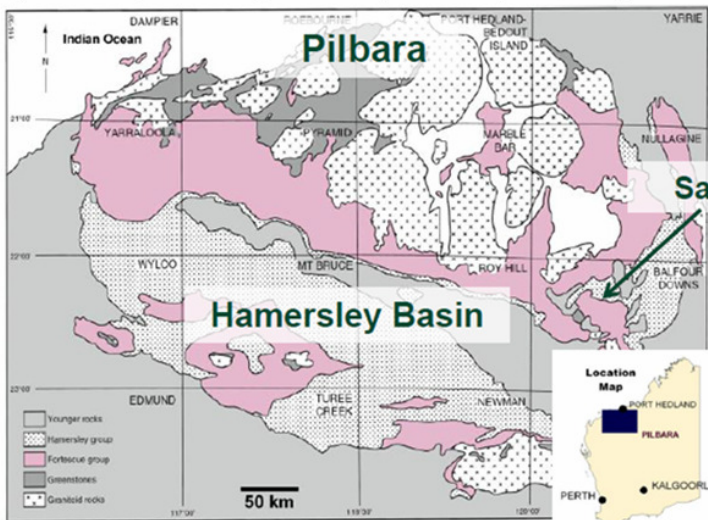
Novo Resources Corp.



Business: Exploration and development of a Witwatersrand Basin-like gold deposit in Western Australia

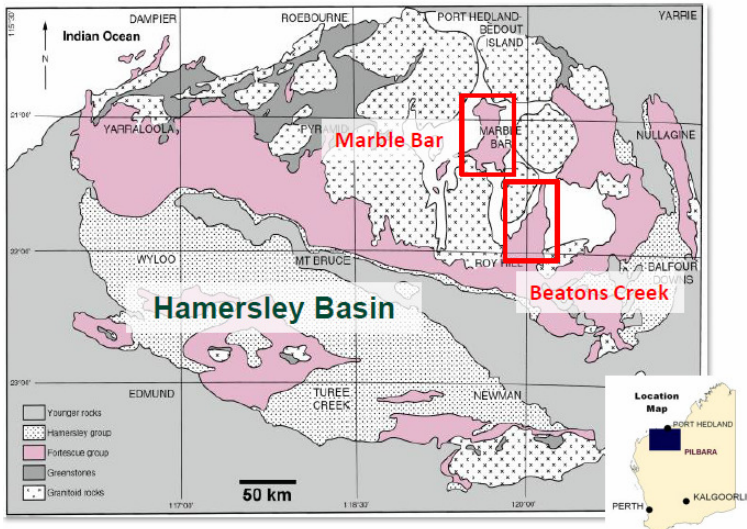
Company CEO: Dr. Quinton Hennigh
 Traded CNSX: NVO
 USOTC: NSRPF
 Shares Outstanding: 41,755,260
 Price 8/9/13: \$0.795
 Working Capital 4/30/13: \$4.5 million
 "Inferred" Gold Resource: 421,000 ounces
 Mining Target (near term): Open pit leachable
 Progress Rating: A3
 Phone Number: 604-688-9588
 Web Site: <http://www.novoresources.com>

Classification	Au Cut-off (grams per tonne)	Tonnage (million metric tonnes)	Au Grade (grams per tonne)	Contained Au (troy ounces)
Inferred	0.20	9.2	1.44	424,000
	0.30	9.2	1.44	424,000
	0.50	8.9	1.47	421,000
	0.60	8.6	1.5	415,000
	0.80	7.1	1.67	381,000
	1.00	5.5	1.89	334,000
	1.50	3.0	2.43	236,000
	2.00	1.6	3.02	160,000
	2.50	0.9	3.71	106,000
	3.00	0.6	4.22	76,000



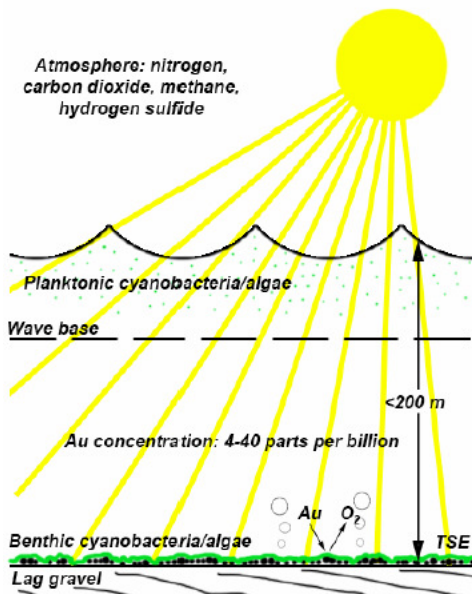
South Africa's Witwatersrand Basin has produced an astounding 1.6 billion ounces of gold since being discovered in 1852, from a unique geological setting. Naturally, geologists and investors would like to find another such deposit, but so far, nothing like it has been discovered, at least nothing close to the scale of that found in South Africa.

There is no guarantee one will ever be found, but Quinton Hennigh, the president and CEO of Novo Resources (pictured above), seems to have located a very similar conglomerate-style gold-bearing geological setting in the Hamersley Basin in Western Australia shown on the map above. (Conglomerate rocks are those that consist of individual fragments within a finer grained rock matrix). Also shown above (upper right) is the Witwatersrand Basin, which is of a scale similar to the Hamersley Basin target area outlined by Dr. Hennigh.



Two areas have been selected in the Hamersley Basin as primary targets. They are **Beatons Creek** and **Marble Bar**. The Hamersley Basin sits astride the Pilbara craton. Collectively, the company's efforts here are known as the Pilbara Project. Both of these targets are underlain by what is known to geologists as *Fortescue Group rocks*, and drilling carried out to date under the guidance of Dr. Hennigh has revealed the fact that both areas host multiple gold-bearing conglomerate occurrences.

Although gold production has come from this area of Western Australia dating back some 100 years, most geologists and prospectors didn't think any large deposits are likely to be hosted here. But Dr. Hennigh has suspected something big could exist dating back to the days when he worked there as an exploration geologist for a major gold mining company. When Hennigh worked for the major company, he and his employer tried to strike a deal with Marc Creasy, the best known prospector in Australia, to explore some of this ground but an agreement never was reached. But after leaving the major, Hennigh kept in touch with Marc Creasy and after about six years he reached a deal with Creasy whereby Novo Resources can earn a 70% interest in an area that measures 560 sq. kilometers.



A more recent geological theory about how these large gold-bearing conglomerate deposits have come into being has caused Hennigh to look to the Hamersley Basin as a possible host of a gold deposit similar to the Witwatersrand Deposit. This theory holds that oxygen-producing algal and cyanobacterial mats growing on a shallow seafloor precipitate gold from ocean water. Gold being attracted to carbon, it sticks to the fossil remains of the algal and cyanobacterial mats, forming the gold-rich carbon seams preserved in many leader reefs. (Cyanobacteria is also known as **blue-green bacteria**, **blue-green algae**, and **Cyanophyta**, and is a phylum of bacteria that obtains its energy through photosynthesis.) At times as the sea level drops, gold-bearing carbon can be reworked by streams and rivers into channel type conglomerates.

Working on the theory that that was how the Witwatersrand Deposit was formed, Dr. Hennigh kept his eyes open for similar geological environments formed at the same time as the Witwatersrand deposits were formed in the earth's history. The group of rocks known as the Fortescue Group in the Hamersley Basin is one such place. Hennigh examined a number of basins, but he has found the Hamersley Basin to be the most prospective of all.

And now that he has started drilling into these flat-lying conglomerate mats, his views are starting to gather some recognition among his professional peers.

It's still early days, but the company already has outlined a resource of 421,000 ounces of near surface gold with an average grade of 1.47 grams/ton using a 0.5 gram/ton cut off grade. That's hardly a large enough deposit to get the market very excited these days, which is why the company's market cap is still only \$25 million. But what I find makes this an exciting exploration target are the following factors:

- The deposits of flat-lying conglomerate beds are at or very near surface with the top 20 to 40 meters being leachable oxides.
- With mineralization at or near surface, the cost of drilling is very inexpensive and the ounces may well begin to add up fairly quickly. Indeed the company has been able to establish its 421,000-ounce resource on a budget of \$2.5 million for a 16,107-meter vertical drill program. That works out to only about \$6 per discovered ounce.
- If the company can outline a sufficient amount of higher-grade oxide material, it should be able to move the project toward production fairly quickly. With these conglomerate beds seeming to be continuous over the entire area, the ounces should add up quickly. The main question is whether a sufficient amount of higher grade can be found to render the project economic.
- The target size is very large. Shallow gold-bearing conglomerate beds are believed to underlie approximately 4 square kilometers at Beatons Creek. More recent drilling, the results of which have not been included in the existing resource, was carried out about 2 kilometers south of the area from which the resource has been established. With these mineralizations believed to be continuous, these new results, which are expected in September, could start to lead to a much larger resource. Moreover, a substantial number of drill targets are being established on an ongoing basis. In short, the target here is enormous. Time will tell, but Dr. Hennigh could be on to something really big. Or not.
- In addition to a 70% joint venture interest with the Creasy Group, the company is also earning a 70% interest from Millennium Minerals Ltd. on three mining leases that cover a 560-square-kilometer area and also operates the nearby Golden Eagle Mine and Mill. Without speaking to management about this issue, the fact that management mentioned the fact that Millennium is operating a mine and mill may be of importance in the longer run. Indeed, Hennigh told the *Northern Miner* in October 2012, "*If we can get away from having to build a mill, the permitting for a smaller operation is really straightforward and could be very quick.*" Hennigh may have meant to imply the possibility of an open-pit heap leaching operation and thus no need to build a mill or the possibility of working a milling deal with Millennium Minerals. But for now, that's getting ahead of the story. First we need to know more about the size and grade of the deposit and a host of other issues before we think in those terms. Still, the fact that Millennium's milling operation was mentioned in a press release can't help but get you thinking along those lines.

MANAGEMENT

Dr. Quinton Hennigh, PhD., P.Geo – CEO, President & Director Dr. Hennigh is an economic geologist with more than 20 years of exploration experience with major gold mining firms including Homestake Mining, Newcrest Mining and Newmont Mining. Dr. Hennigh is a director and technical advisor to Gold Canyon Resources, Prosperity Goldfields Corp and Precipitate Gold Corp. He holds a Ph.D. in Geology/Geochemistry from the Colorado School of Mines.

Herrick Lau, MA, CFA – CFO & Director Mr. Lau has over 15 years of experience in corporate finance and public company management. He is Managing Director of Baron Group Canada. Mr. Lau obtained his bachelor and master degrees in Business and Economics from Simon Fraser University. Mr. Lau is also a charter holder of the Chartered Financial Analyst designation.

Akiko Levinson – Director Ms. Levinson brings over 20 years of experience in mining finance and end-to-end rare earth mineral investment. Mrs. Levinson is President and Director of Gold Canyon Resources Inc., a director of Jipangu Holdings Inc., a Japanese mining company listed on the JASDAQ.

David Velisek – Director Mr. Velisek has been involved in capital markets for 10 years in investor relations, as a trader of equities, options and futures and as an Investment advisor. Mr. Velisek serves the Baron Global Financial Canada Ltd. as Manager, Corporate Development.

Leo Karabelas – VP, Corporate Communications Mr. Karabelas brings over 10 years of experience in capital markets and investor relations. He is President of Frontline Communications Investor Relations Inc. Headquartered in Toronto, his firm specializes in investor relations and corporate communication strategies to clients in the resources sector. Mr. Karabelas received his Bachelor of Commerce and Enterprise development from Ryerson University.

THE BOTTOM LINE

From my perspective, here it is. First and foremost, Novo Resources is headed by Dr. Quinton Hennigh, who has had considerable gold exploration success at Newcrest Mining, Newmont Mining, and Evolving Gold. His longtime goal is to find a deposit similar to the Witwatersrand conglomerate deposit that has been the largest gold deposit in history. Time will tell, but the odds are increasing that he may be on to exactly what he was looking for in Western Australia, and if the markets begin to fathom such a reality, look out! This stock will go nuts!

The fact that the deposit is on a very near-surface multimillion-oz. deposit and may be outlined very inexpensively is a huge plus. That near-term potential at a time when the company's market cap is a mere \$25 million and when the gold market is likely reaching the end of a very significant correction has me quite excited, which is why I purchased some shares just yesterday for my retirement account. I believe we are just about to see a resumption of the gold bull market of a lifetime that will take us to all-time new highs. If I'm right about my market view and if Dr. Hennigh has in fact found the next Witwatersrand deposit, the upside for these shares will be a sight to behold. The odds are good enough for at least a smaller version of such a deposit if not one of similar scale, to compel me to add Novo Resources Corp. to my list of A3 exploration companies.

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