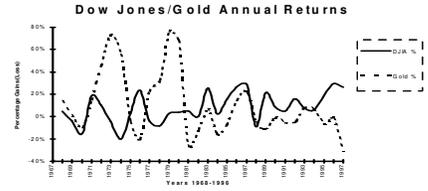




# Gold

## Energy & Tech Stocks



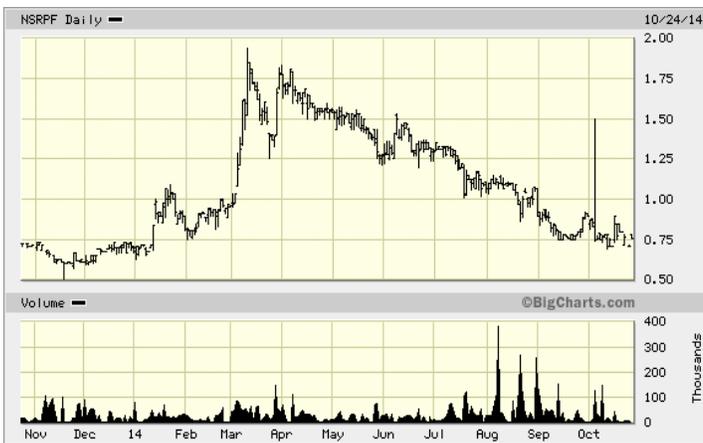
Weekly Hotline Message

(Now in our 33<sup>rd</sup> Year)

October 24, 2014

Review:

### Novo Resources Corp.



Traded: CSE	NVO
US OTC	NSRPF
Shares Outstanding:	61,649,358
Initial Recommendation 8/9/13:	US\$0.80
Price 10/24/14:	US\$0.78
Market Cap:	US\$48.1 million
Progress Rating:	A3
Web Site:	<a href="http://novoresources.com/">http://novoresources.com/</a>

This continues to be a favorite speculative stock in my list not only because of its longer term Witwatersrand prospects but because I think it has a reasonably good chance to become a small

scale positive cash flow gold producer from its oxide resource of which the maiden resource revealed 424,000 ounces grading 1.47 g/t.

Given the difficulty of raising money in this market, management is very much focused on preserving cash and generating cash flow as soon as possible. Novo's agreement calls for it to move toward a bankable feasibility study by the end of 2015 and so drilling its oxide targets is a priority now in order to increase and upgrade its 424,000 oz. resource. Given easy-to-mill oxide material, it may be possible to produce 30,000 oz. or so per year from an open-pit mine and the application of a gravity/CIL milling operation. Capital costs could be relatively low, perhaps less than \$20 million. Also, as I noted previously, there is a mill close by that may be available for custom milling.

The company currently has some \$11.5 million in the bank but Dr. Hennigh is really focused on cash conservation so I expect he will continue low-cost-surface drilling to expand the existing resource and to carry out bankable feasibility work rather than swinging for a Witwatersrand home run. Quinton recently told me he believes the company will be left with about \$9 million in cash after the current drill program is completed by March of 2015.

On the negative side of the ledger is a weakening gold price again which is not only impacting the ability of Novo to raise money, but it is impacting the turnaround time for Bleg samples conducted by Newmont. The current environment for gold mining companies may also negatively impact Newmont's future commitment to the project. Newmont has recently laid off more than 300 people as it attempts to handle

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its debt load in light of lower gold prices and declining cash flows. That said, I believe Dr. Hennigh's relationship with his former employer is good and that when the mining environment improves, Newmont is likely to be very much aware and interested in Novo's progress.

As I look at the chart above, it is my view that if you have not picked up some shares of this stock, now it may well be a good time to do so. Novo closed at U.S. \$0.76 today which is down from my initial recommendation price of \$0.80. But around the U.S. \$0.75 level should serve as a solid support level given the fact that the ceiling on the stock was U.S. \$0.75 before it broke out to run all the way up toward \$2 earlier this year .

**THE BOTTOM LINE** for me for me is that Novo Resources is one of the most exciting exploration stories I have seen in a long time. Yes, I say that on the basis of the Witwatersrand thesis spelled out by Dr. Quinton Hennigh who is a highly acclaimed "out of the box" former Newmont geologist. But Quinton is not only a creative free thinker. He is also a practical businessman. And so, to use a baseball analogy, if you are looking for a grand slam homerun in the form of a Witwatersrand discovery, you may have to wait a while—perhaps until the bottom of the 9<sup>th</sup> inning given the current well-pitched game the gold market manipulators are giving us through their paper market shenanigans in the New York and London markets. Meantime, as the Kansas City Royals are demonstrating, you can do quite well hitting singles and doubles and stealing some bases along the way. And to preserve cash, Dr. Hennigh's strategy is to opt for low-cost exploration of surface oxide hosted gold mineralization on the company's property in northwestern Australia.

Ultimately the big lie fostered by the banksters that own the Fed—that you can prosper by not saving and working less and by spending more and taking on more debt, will be exposed for the lie that we are being fed in every economics 101 classroom thanks to the satanic John Maynard Keynes. At some point, successful gold mining companies won't just be hitting singles and doubles but they will be hitting grand slam homeruns. And if Dr. Hennigh's thesis turns out to be valid, Novo will hit the mother of all World Series grand slam home run akin to Bill Mazeroski's grand slam to beat the New York Yankees in 1960. Just for the fun of it, if you are around my age, here is the link to relive that event: <https://www.youtube.com/watch?v=FE1nYMg-jU4>

Okay, let me come back down to earth. Novo remains a high risk/high return proposition. And you should be aware that trading in the stock is not very liquid. As such a few shares of buying can send the latest quote a lot higher and a few shares of selling can send it spinning downward, especially in a weak gold share market. But I try to keep my eyes on the fundamentals and from what I can see, they look very promising. I have a very high regard for the honesty, integrity and talent of Dr. Quinton Hennigh as do his peers. All in all, let me suggest that now may be a good time, during this period of market weakness, to pick up some shares of Novo while the gold market is cold and Quinton is swinging for singles and doubles rather than when the market heats up and a larger investor community starts to dream of a Witwatersrand (Mazeroski like) grand slam home run.

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