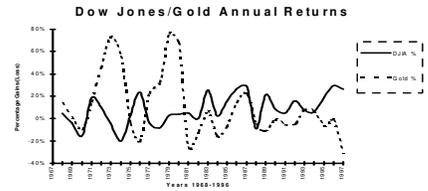




Gold



Energy & Tech Stocks

Weekly Hotline Message

(Now in our 34th Year)

January 9, 2015

My Top Pick for 2015

Novo Resources Corp.



Business: Exploration and development of a 70% owned Witwatersrand Basin-like gold deposit in Western Australia

USOTC:	NSRPF
CSE:	NVO
Shares Outstanding:	61,699,358
Major Shareholder – Newmont:	28%
Price 8/9/13:	\$0.795
Price 1/9/15:	\$0.63
Market Cap:	\$39 million
Working Capital 4/30/13:	\$11.2 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

This is my roll of the dice, top pick for 2015. Let me first summarize in bullet point fashion why I have picked Novo Resources Corp. as my top pick for 2015, then for the sake of new subscribers, I will rehash this most unusual gold exploration story so you can see why I think this is not only one of the most unusual exploration stories to come along in a long time, but also potentially one of the most exciting. And depending on the results of a deep hole recently drilled on this company's Australian property, the sparks could fly sooner rather than later. Anyway, here are the main reasons I have selected Novo Resources my top pick for 2015.

- Highly-regarded geologist and CEO, Quinton Hennigh, believes he may be on to a discovery of the next Witwatersrand gold deposit akin to what has been by far the world's largest gold deposit in the history of gold mining.** The Witwatersrand Basin in South Africa has yielded an astounding 1.6 billion ounces of gold since it was discovered in late 1852. Hennigh's geological work has thus far provided no reason to doubt that his theories about how the Witwatersrand was formed are incorrect. Nor is there any reason to dismiss his claims, given all the exploration results reported thus far over the past three years. Dr. Hennigh's theory about how the Witwatersrand was formed is indeed a theory that is outside of the box and as such has yet to capture the imagination of the markets. That could soon change.

- ***A deep drill hole, the assay of which should be available by late this month or early in February, may soon prove to or at least convince the mining world that Dr. Hennigh may be on to another Witwatersrand-like discovery.*** Along with this geological story, I will try to explain why this deep hole may be so important. Based on the company's Dec. 10 report, there is reason for optimism. Depending on results, it could send this stock to the moon, given its very tight supply. ***Keep in mind that if a true Witwatersrand deposit is discovered here, the gold-bearing conglomerate reefs will measure not in grams/tonne, but gold will be measured in percentage terms.*** Positive as reports of this deep hole were in Dr. Hennigh's December news release, I'm not saying you should count on an intersection measured in percentage gold. What the report did say, however, is that a 20-meter intersection from a depth of approximately 530-550 meters "*displayed repetitiously bedded pyritic pebble and conglomerate believed to represent a distal facie of the gold-bearing pyritic conglomerates of Beatons Creek. Detrital 'buckshot' pyrite occurs in intervals up to 50 cm thick scattered throughout these conglomerates. Pyrite concentrates reach 20% in places.*" I'm holding my breath and I should point out that Dr. Hennigh is scheduled to be on my radio show on February 3 to update my listeners on the project. Hopefully we will have deep hole results by then as well as some assays from the company's surface exploration project last year.
- ***The company is moving toward completion of a bankable feasibility study by August 2, 2016, with a view toward production from open-pit mining soon thereafter.*** While the discovery of the next Witwatersrand on the company's first deep drill hole may be considered a "long shot," what provides comfort for me as an owner of this stock (it being my largest holding) is that the company is quietly moving toward open-pit mining from surface of relatively high-grade free-milling gold material. The company's resource of 421,000 ounces of gold from material grading 1.47 g/t is bound to grow on the basis of a 327-hole, 9,000-meter reverse circulation drilling that was completed on Nov. 16, 2014. In addition, 700 very large surface samples were collected, all of this with a view toward building a significant free-milling oxide resource at the company's Beatons Creek Project. Results from this 2014 exploration program are anticipated in a steady stream over the next four to five months.
- ***Exploration results as well as metallurgical works have been better than good.*** The gold is mostly free milling. Third-party metallurgical work carried out in 2014 revealed 80% recoveries from gravity alone when the material is ground to a 100 mesh size. Add to that low-cost flotation and you up the recoveries to over 90%. A cyanide test was run on one of the bulk samples, which boosted recoveries to a better than good 99.3%. If it turns out that there is a large amount of the surface material (many millions of ounces), perhaps over time, cyanide might be built into the milling process. However, given added capital costs and time to permit a cyanide circuit, it seems likely cyanide will not play a part in the recoveries in the early stages.
- ***The shallow surface oxide gold target 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 mineralization 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. To help you get a sense of the potential on this Beatons Creek Project, note the illustration below, which shows one area of the company's extensive prospective claims of which it holds a 70% interest. The red rectangular area is the area from which the company's current 421,000-oz. resource was calculated. Results from additional drilling

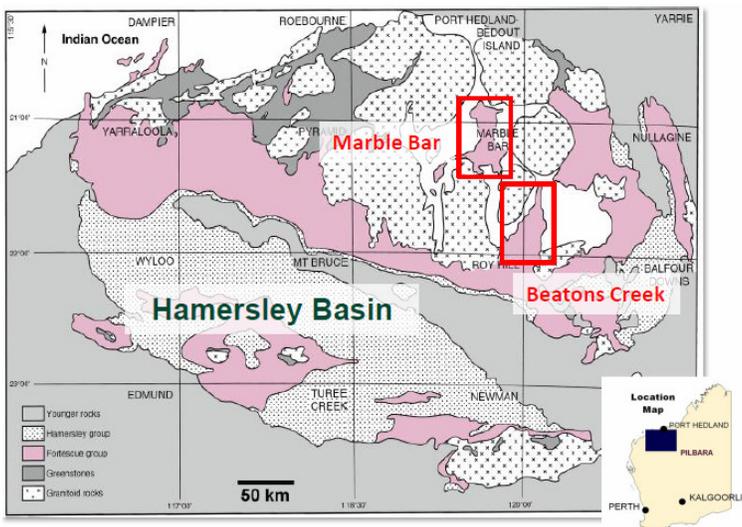
SUMMARY

At the very least, Novo appears to be moving forward very favorably toward its bankable feasibility target date of August 2, 2016. Bulk sample grades are higher than expected and capital costs to get into production should be very low, owing to surface mining and ease of recovery, which, as noted above, are at 90% using simply gravity and flotation methods when the material is ground to 100 mesh. The company is well funded such that it won't be forced to raise money in this difficult market. The shares are tightly held, which has enabled the share price to hold up well compared to other junior explorers. So at the very least, it looks to me as if Dr. Hennigh's team could be on to a multimillion-ounce free-milling surface deposit of grades that may be highly profitable, given the ease of recovery. In an improving gold market, I could see these shares doubling or tripling in value simply on the basis of a move toward a production decision by August of 2016. But the real moon shot could come sooner than that if pending results from the deep hole hint at the discovery of the next Witwatersrand. From its current price, I see little downside risk and a whole lot of upside potential, even if my projections for a return to the next leg up in the gold bull market in 2015 turn out to be incorrect. That's why this is my top pick for 2015. A review of this story may help you understand why I think a moon shot is possible.

A REVIEW OF THE GEOLOGICAL STORY

Applying traditional theories about the formation of the Witwatersrand were not satisfactory to Dr. Hennigh because of the enormous concentration of gold in that one place. Remember 1.6 billion ounces of gold have been mined from the Witwatersrand. Nothing close to that exists anywhere else on earth. So based on work he did on Witwatersrand, work he did for Newmont in the past and at the Colorado School of Mines, he came up with an alternative theory (outside the box) as to how the Witwatersrand Deposit was formed, which led him to Northwestern Australia. Following is what I wrote about this company when I introduced it to my readers in August of 2013.

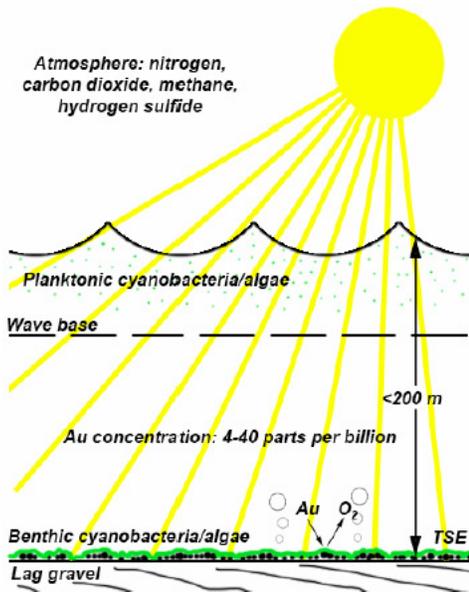
There is no guarantee another Witwatersrand will ever be found, but Dr. Quinton Hennigh, the president and CEO of Novo Resources (pictured above), seems to have located a very similar conglomerate-style gold-bearing geological setting in the Hamersley Basin in Western Australia shown on the map above. (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**. **Beatons Creek** is where the existing resource is hosted. 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.



The astoundingly large concentration of gold in one place caused Hennigh to doubt traditional theories about the formation of gold at Witwatersrand. As with some copper projects, Quinton theorized it could be a precipitation event at an early stage of the earth's existence. So Hennigh decided to look at ancient shallow sea bed geological environments in the hunt for the next Witwatersrand. That took him to the Hamersley Basin in northwestern Australia.

This theory holds that in the early days of the earth's existence, when very little oxygen had not yet been formed, early plant life in the form of oxygen-producing algal and cyanobacterial mats grew on a shallow seafloor and precipitated gold from this shallow near shore ocean sea basin. At that time gold in ocean water was abundant but as the oxygen content increased, it was precipitated out of the water on to the carbon mats where it stuck on 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. It is evidence of carbon-hosted gold that Dr. Hennigh finds in the surface gold mineralization that is part of the reason he is excited that he may be on to the next Witwatersrand Deposit. And the deep hole discussed above, Dr. Hennigh believes, has intersected a facie from which he has obtained gold assays on surface. But as he has explained to me, the surface mineralization is "higher up in the system" where weathering and surface water movements in streams and rivers over time broke up those high-grade conglomerate reefs at depth. At some depth where these reefs were formed, it seems reasonable that that they may remain intact, undisturbed by the force of rivers and streams, just as they have in the extremely rich reefs of South Africa.

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 Fortesque 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 aside from finding the kind of spectacular gold mineralized typical at the Witwatersrand Deposit, 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.

Stay Tuned. There could be some very important updates over the next several weeks!

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