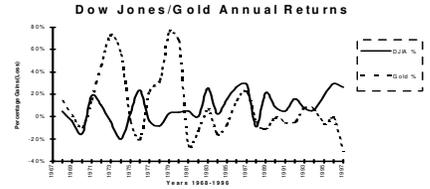




# Gold

## Energy & Tech Stocks



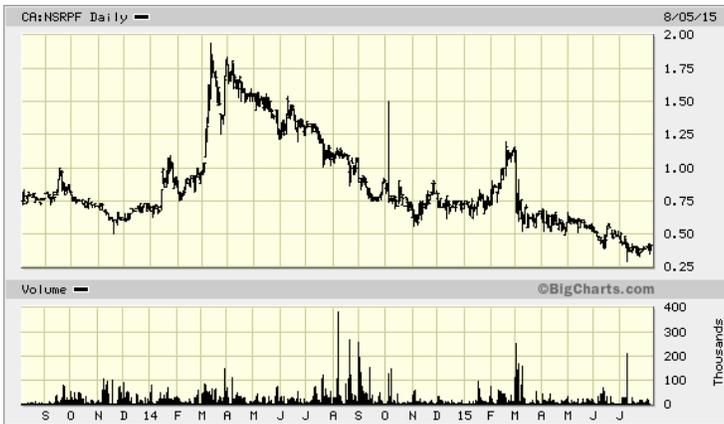
Weekly Hotline Message

(Now in our 34th Year)

August 7, 2015

Stock Pick of the Week

### Novo Resources Corp.



Traded Toronto: NVO/USOTC: NSRPF; 75.7 million shares @ US\$0.42 = \$32 million market cap. The number was, in my view, phenomenal! I'm talking about the average grade of 5.83 g/t from eight randomly chosen bulk samples in bulk sample Trench 2 in this company's Witwatersrand-like reef material at its Beatons Creek Project in northwestern Australia.

With the assistance of a very experienced and well-regarded mining engineer, Dr. Hennigh is moving rapidly toward a production decision and unless I'm missing something, the company's open cut

Beatons Creek Deposit could become hugely profitable. Yes, of course I could be missing something because there never seems to be a mining project that doesn't have at least a few startup problems. But the assays that were forthcoming this week were hugely positive, no matter how you cut it, for the potential profitability of the Beatons Creek near-surface oxide project.

How many surface oxide projects do you know that can boast of an average grade of around 5.83 g/t, or over 0.18 oz per ton? Actually, based on all the bulk samples reported to date, the target oxide material at Beatons Creek may grade closer in the range of between 3g/t and 4g/t. But the same question applies. How many low strip ratio open-pit gold oxide targets do you know of with grades in the 3 g/t to 3 g/t range?

But it's not only the high grade that makes this oxide project look like it should be an exceptionally profitable operation. There is an abundance of factors that I think could make this project highly profitable even if gold were to fall into the \$700- to \$1,000-per-ounce range. Here are some of the favorable factors that I believe bode well for Novo's Beatons Creek Project:

**Cheap Mining** – The target oxide reefs occur within a few meters of surface. Given the brittle nature of the material, there is no blasting required. The material can simply be scooped up with lower-cost earth moving and scooping equipment and taken a short distance to the mill. In addition, owing to the topography, overburden can simply be moved into adjacent lower areas.

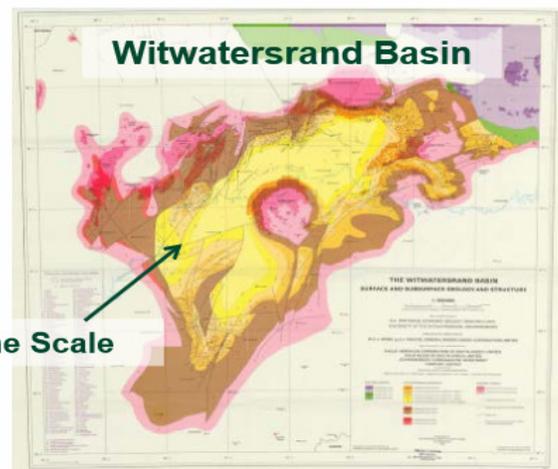
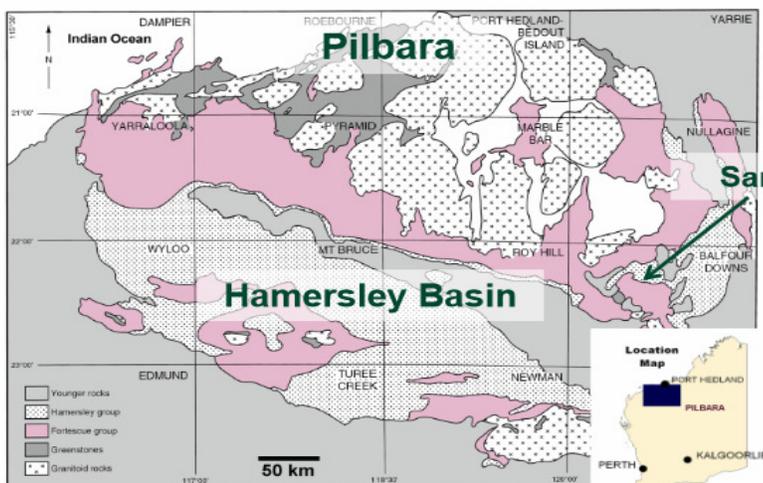
**Low Milling Costs** – The oxides material, which is what the company is looking to produce from in the early days, is largely free milling. In fact, based on tests so far, it looks as if the company can get north of 80% recoveries from simple gravity measures. Recoveries in the mid to high 90% range can be achieved with flotation technology.

**Low Capital Costs** – In large part, due to the simplicity of gold recoveries, but also because of the ease with which the gold hosted material can be mined capital costs should be very low, perhaps less than \$20 million for a 1,500-ton-per-day operation. With an average grade of 0.18 oz/ ton and 80% recoveries this operation might produce upwards to 200 ounces of gold per day, or over 70,000 ounces per year, at some of the lowest costs per ounce of any gold producer in the world.

**The Addition of Simon Pooley** – I have not talked much about Mr. Pooley, but here is a bit about his background. He is a geologist with over 30 years' broad international experience encompassing roles in the corporate, mine development, operations and exploration areas. He has held senior industry positions that have demonstrated leadership and management of base and precious metal exploration and mining operations, development of project assessment types including definitive/bankable feasibility studies and their conversion into mining operations and managed teams undertaking exploration evaluations and valuations. He is a member of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and is a graduate of the Australian Institute of Company Directors. His career includes work for Dominion Mining, Ashton Mining and Rio Tinto covering commodities as diverse as gold, base metals, diamonds and industrial minerals. He has helped lead a number of mining operation start-ups from exploration through to construction and production.

## Gold in the Pilbara:

✦ The ancient rocks of the Pilbara region have long been considered to have little prospectivity for large gold deposits



✦ Yet, rocks of the Hamersley Basin share many similarities with those of the Witwatersrand Basin in South Africa, host to the largest gold field on Earth

## The Bottom Line

As your editor sees it, a relatively simple mining operation every way you look at it makes this startup story very believable. And if successful in producing cash flows from the oxides, the potential to find the next Witwatersrand deposit looms over the horizon. Still in its own right as an oxide-hosted gold project, this small cap company could become a 10 bagger long before a true vision of another magnificent Witwatersrand comes into being. Because of prospects for a low cost, highly profitable mine to fund exploration of another Witwatersrand deposit, Novo Resources is simply one of the most exciting stories I have covered since I began writing this letter in 1981. That's why, with the exception of a couple of ETFs that I am using to short the S&P 500 and high yield debt, Novo is my largest holding, with BitGold (now GoldMoney) a close second.

Yes, I know the economics of this project have yet to be proven, though the company is moving very rapidly toward completion of a feasibility study and a production decision before the end of this year. More importantly, given the simplicity of the project, production may commence as early as Q1 of 2016! And, with the company now having a solid mining engineer in the person of Simon Pooley leading the project, I believe it has the foundational technical talent to actually make that happen. If I'm right, this stock is going to be a barn-burning success!

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