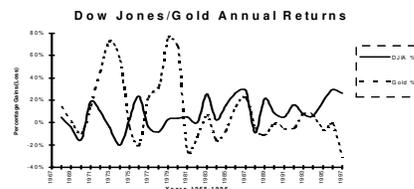




# Gold

## Energy & Tech Stocks



Weekly Hotline Message

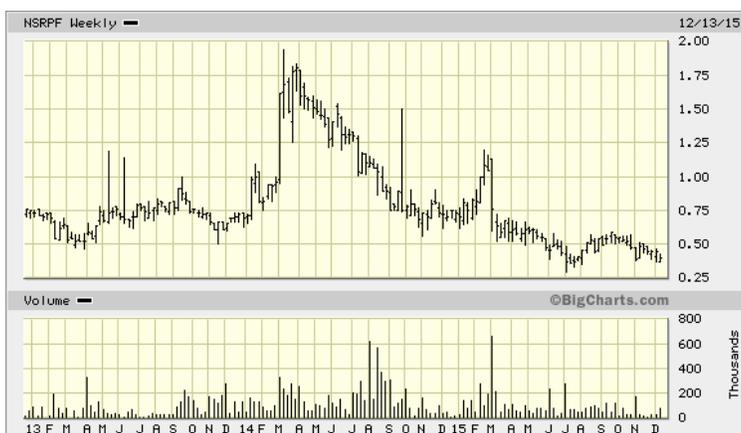
(Now in our 34th Year)

December 18, 2015

Update:

### Novo Resources Corp.

Now Moving Toward Trial Production



**Traded Toronto: NVO; USOTC: NSRPF; 77 million shares @ US\$0.39 = US\$30 million market cap.** - Like all the other junior gold mining stocks, Novo's shares have suffered greatly of late. However, not like every other junior gold stock, Novo has a chance at evolving into a producer and the announcement this week, that the company's IGR3000 gravity recovery plant has arrived in western Australia is indeed good news.

Dr. Hennigh announced on Dec. 17<sup>th</sup> that "trial mining and processing are anticipated to take approximately two to three months beginning in early March. However, beginning in early January, the IGR3000 plant will be commissioned and various combinations of crushers will be tested to determine the ideal combination needed to crush rock down to a sub-millimeter particle size, the optimal size needed to liberate coarse gold and feed the IGR3000 plant. Data collected from this trial mining exercise will help the company determine best practices for mining, grade control, grade reconciliation, processing and gold recovery for a future full-scale mining operation.

"Mineralized conglomerate will be sourced from three separate shallow pits (approximately 10,000 tonnes from each pit) where predicted block model resource grades range from about 1.9 grams per tonne gold to five grams per tonne gold (for more information about the Beatons Creek resource, please see the technical report on the company's website).

"As discussed in several earlier news releases, Novo is targeting development of an open-cast gold mine at Beatons Creek. The scenario being considered envisions mining shallow, oxide-only conglomerate-hosted gold mineralization at a rate of 500,000 tonnes per year and utilizes gravity-only processing to recover gold."

I have talked a lot over the past year or so about what I think should be very robust economics for the oxide gold resource outlined thus far on the company's Witwatersrand like Beatons Creek deposit. But as they say, the proof will be in the pudding. Novo has recently contracted **West Perth-based DRA Pacific**

*Pty. Ltd.* to undertake a prefeasibility study (PFS) due late in the first quarter of 2016. In a news release dated Nov. 19, 2015 and also in an interview I conducted with Dr. Hennigh, which was aired here at <http://jaytaylormedia.com/audio/> on Dec. 8, 2015 (available for download under Podcasts in the web site), Novo discussed the possibility of securing new and used components for a gravity mill from various sources in Western Australia, a potentially much cheaper alternative to constructing a turnkey mill. As part of the prefeasibility study, DRA will be designing and costing a mill under these guidelines. To date, many mill components have already been identified for potential procurement.

By August, 2015, Novo had completed collection of all environmental data needed to support permitting a 500,000-tonne-per-year mining operation. Novo is currently drafting a mine plan and other documents necessary for permitting such an operation and anticipates submitting these documents to regulators for review in early 2016.

In his press release of last week Quinton Hennigh said, *"We are very pleased to see our IGR3000 gold recovery plant arrive in Australia and establish a timeline for our trial mine in early 2016. This test mine will provide invaluable data about mining, grade control, grade reconciliation, processing and gold recovery in preparation for a future full-scale mine."*

As should be clear to all my subscribers, for whatever it's worth to you, this is my number one holding. Any licensed investor advisor I know would tell me I'm crazy for allocating more than 22% of my holdings to this one stock. Time will tell whether this was a bad move or not. But I can tell you I believe very firmly in the honesty and competence of Dr. Hennigh. Not only do I believe in the short term prospects of Novo's Beatons Creek project but I think his vision of how the most spectacular Witwatersrand project in South Africa was formed is likely correct.

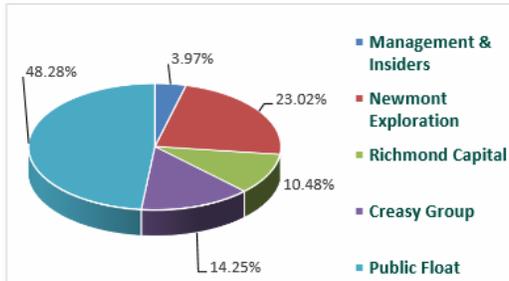
More importantly, I also believe that over time, the Beatons Creek project may represent the start of a truly phenomenal gold deposit akin to the great Witwatersrand. Indeed the deep drill hole results reported in early 2014 provided all the geological evidence of a major Witwatersrand like system. The market was disappointed that a large high grade intersection was not reported. But what it didn't realize or understand is that the same reef that surfaces along the ancient shoreline, from which high grades of free milling oxidized gold material will soon be mined, is part of the same system. Nor did it understand that given the nugget nature of this deposit, any drill hole is a hit or miss proposition. That's exactly why bulk mining is required to get a sense of how these reefs are mineralized with gold. And the good news that we have learned over the past year is that they seem to be very richly endowed with gold mineralization.

There are never any guarantees in the gold mining business. But from all I can see, Novo's Beatons Creek has a very good chance at generating some strong positive cash flows starting in 2016 and beyond just from near surface oxide resources.

Longer term the real excitement for Novo comes from prospects of outlining a Witwatersrand-like deposit. For those of you not familiar with it, the Witwatersrand deposit of South Africa has produced something like 1/3 of all the gold ever produced in the history of the world. Dr. Hennigh's substantial exploration experience and academic background led him to the Beatons Creek project as a likely geological environment where another such might be found. The concept of a Witwatersrand deposit has been proven and we know from a deep hole drilled a couple of kilometers away from the current mining target that it is a major Witwatersrand like system. What we don't know at this time is how much gold exists in this system. With early cash flows from production, exploration in search of a monster deposit will continue as soon as profitable production is achieved. Once positive cash flows are generated from Beatons Creek, we

will look forward to drill results that should start to give us an idea whether or not a second massive Witwatersrand deposit has been discovered.

## Who Owns Novo Resources Corp?



Those of you who may have tried to pick up shares of Novo Resources may have been discouraged because of the big gap between the bid and ask. For example, on Friday late in the day, the bid in the U.S. market was \$0.372 and the ask was \$0.419. Only 14,888 shares were traded. There are not many sellers of this stock so unless you have a lot of patience, you would likely have to pay the asking price and then you may not get your order entirely filled. The reason for this illiquidity in the stock is

in part due to the share structure which shows that only 48.28% of the stock or about 37.2 million shares are in public hands. And many of those shares are held by people like yours truly who really believe this company has a huge upside potential both near and longer term. I will tell you that my average price for this, my largest holding, is about twice its current share price. But I'm not interested in selling anywhere near Novo's current share price.

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