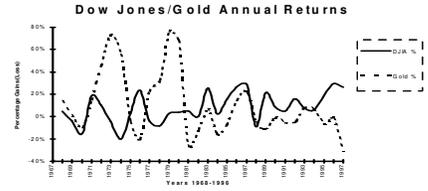




# Gold

## Energy & Tech Stocks



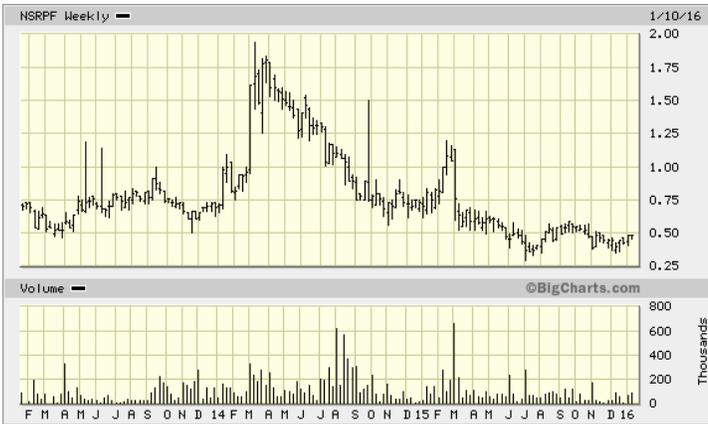
Weekly Hotline Message

(Now in our 35th Year)

January 22, 2016

Update:

### Novo Resources Corp. (TSX – NVO)



**Business:** Commencing trial gold production from the Beatons Creek high-grade oxide reefs. This is a Witwatersrand-type target. Proof of concept at hand.

USOTC:	NSRPF
Shares:	76,998,428
Recent Price:	C\$0.65
Market Cap:	C\$50 Million
9/30/15 Cash:	C\$2.5 Million
9/30/15 Wk. Cap:	C\$2.5 Million
Debt:	ZERO
43-101 Resource <sup>(1)</sup> :	424,000 oz.
Average Gold Grade:	2.4 to 4.0 GPT
Low-Cost Production Potential – PEA Q2	

**Notes:**

<sup>(1)</sup> Maiden Resource with an average grade of 1.47 gpt. An updated 43-101 resource based on bulk sampling is expected to be much higher, in the range of 2.5 to 4.0 gpt, due Q1.

**Major Points:**

- Low-cost mining, given (a) high grades on surface, (b) low-cost mining owing to surface or near surface, no blasting, low-cost overburden disposal.
- Low milling cost, given (a) free milling oxide mineralization and (b) high grades material.
- Low capital cost, given simple mining and recovery.



- Massive exploration potential for both near-surface oxides and deeper sulfide material.
- Quinton Hennigh's Witwatersrand theory and proof of concept is at hand.
- Management Philosophy: Organic Growth. Test mining using low cost gravity is underway during Q1.
- \$1.5 to \$2.0 million gold streaming loan available to existing shareholders at C\$1,100/oz., or share conversion at C\$0.67, at choice of bond holder to fund test mining operation to commence by the end of Q1 and will be used to complete PEA.

The simplicity of mining the target oxide material can be seen from the picture on your left. Management

believes that by using the appropriate equipment to mine these reefs at surface (like that shown on your left), mining dilution can be minimized. Also, the loose nature of the gold-bearing conglomerate material, much like the saprolite material at the Goldsource Mine, does not require costly drilling and blasting before mining. As the reefs are identified, this surface or near surface material can simply be scooped up and processed at the nearby mill.

Beatons Creek represents the discovery of a second "Witwatersrand" like deposit. Witwatersrand has hosted around a third of all the gold ever mined on the planet. Dr. Hennigh's thesis as to how it was formed took him to this Beatons Creek Project. Dr. Hennigh is starting out small but with what should be very high profit margin gold production. Like the management teams of three of the four companies I'm talking about in this issue, Dr. Hennigh is moving toward what should be small scale but high margin gold production. High grade, free milling oxide resources at or very near surface combined with other lost-cost mining attributes give reason for optimism near term to fund what may be massive blue-sky potential longer term.

**Caution:** While the upside could be amazing, what is also important to note is that even though the deep hole drilled 2½ kilometers to the north from target mining oxide material, the reefs are between 1 and 2 meters thick. Thus a considerable amount of work will need to be carried out to determine the economics of deeper conglomerate sulfide material. Much will likely depend on average grades. Meantime, there is extensive potential to expand existing oxides resources. Dr. Hennigh's model calls for initial small scale, but high profit margin gold production from which to explore in the future but without undue shareholder dilution.

I have just finished outlining four gold share companies I feel comfortable holding in my own portfolio as we await the gold market finally turning bullish. Readers of course must do their own due diligence to determine whether you share your editor's viewpoint and also to determine if these companies fit your own risk profile.

### **Novo Resources Update**

Though the main focus of Novo Resources remains on the Witwatersrand like Beatons Creek target, the company did pick up a very promising gold and antimony target known as the Blue Spec gold-antimony project. As Dr. Hennigh has said in the past, he envisions some possible early production from this target but it was also a deposit he has wished to pick up for many years. Given the dismal market conditions that exist now, he was able to acquire it for Novo Resources. On January 21<sup>st</sup>, he put out the following announcement:

### **Novo Resources samples up to 143.8 g/t Au at Blue Spec**

2016-01-21 09:16 ET - News Release - Dr. Quinton Hennigh reports

#### **SAMPLING RETURNS HIGH GRADES AT NOVO RESOURCES BLUE SPEC GOLD-ANTIMONY PROJECT**

Novo Resources Corp. has released high-grade gold and antimony results from rock-chip samples recently collected at its Blue Spec project located near the company's flagship Beatons Creek project in Western Australia. The Blue Spec gold-antimony project encompasses about 15 km of strike along the Blue Spec shear zone, an east-west trending corridor of steeply dipping structures cutting the 2.9 billion year old Mosquito Creek Formation and hosting gold-antimony mineralization. Mineralization is of orogenic lode vein style and displays multiple stages of deposition. Some low to high grade gold mineralization occurs in quartz-carbonate veins with minor associated sulfides, however, most high grade gold occurs in stibnite+/-quartz veins (please see Figures 1 & 2 below). Stibnite is a Sb-sulfide mineral. This style of gold mineralization is present elsewhere in Australia including at Mandalay Resources' Costerfield mine in Victoria State. High grade shoots at the Blue Spec and Gold Spec mines collectively host indicated resources of 151,000 tonnes at 21.7 gpt Au (105,300 oz) and 1.7% Sb and inferred resources of 264,000 tonnes at 13.3 gpt Au (112,600 oz) and 1.0% Sb. This historical estimate, disclosed in Northwest's news release of September 30, 2013 and in the mineral resource statement issued by Northwest on the same date (the "Northwest Disclosure Documents"), are stated to have been reported in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code), which are consistent with sections 1.2 and 1.3 of NI 43-101. For the key assumptions, parameters, and methods used to prepare these estimates, please refer to the Northwest Disclosure Documents which are available on Northwest's website ([www.nw-resources.com.au](http://www.nw-resources.com.au)). These are the most updated

estimates and data available regarding the Blue Spec and Gold Spec deposits (except for the data contained in this news release) and, as such, no work needs to be done at this point in time to upgrade or verify the estimates. Novo is unaware of the existence of any technical report prepared in connection with the technical information contained in the Northwest Disclosure Documents. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. Novo is not treating the historical estimate as current mineral resources or mineral reserves. In November and December, 2015, Novo undertook a comprehensive review of the Blue Spec project with a focus on identifying exploration potential. Surface rock chip samples were collected in multiple areas (please see Figure 3 below for a sample location map). The descriptions of rock chip Au anomalies presented below starts in the west and moves progressively east.

### ***High Grade Gold Samples***

Gold Spec area: Two areas of high grade gold mineralization have been identified west of the Gold Spec mine. The first area, located about 0.9 km west of Gold Spec, is defined by seven recent and historic rock chip samples collected from vein float material. Gold grades range from 22.5-143.8 gpt, and Sb ranges from 0.1-2.5%. Samples were collected over a strike length of about 100 m. Two historic reverse circulation drill holes are collared about 60 m north of these samples and were angled back at this zone, but neither hole appears to have adequately tested the area beneath these sample locations. The second area, located about 250 meters west of Gold Spec, is highlighted by four recent and historic rock chip samples grading 5.4-86.9 gpt Au. Up to several hundred ppm Sb is also present. All samples are spot rock chips collected from subcropping vein or float material. Samples are scattered over a strike length of about 200 m. Some shallow historic reverse circulation drill holes and trenches are present in the area, but data for these is missing or sketchy. Blue Spec area: The location of an historic rock chip sample grading 5.3 gpt Au was identified between the Blue Spec and Red Spec areas suggesting mineralization is present between these zones. Historic drilling is sparse in this gap.

### ***Middle Creek area:***

A high grade outcrop sample was collected in the Middle Creek flood plain in an area with no previous sampling history. This sample grades 47.7 gpt Au and 2.4% Sb. Given that outcrop is very scarce in this area, the discovery of this sample site is highly significant and suggests the potential for a hidden target in this location. More sampling is needed to evaluate this possibility. Orange Spec and Green Spec areas: At the Orange Spec target, new rock chip samples taken from sub- and outcropping veins grade 4.2-15.7 gpt Au along a zone about 50 m long. Several wide-spaced historic drill holes in this area encountered intervals of high grade gold to 15 ppm. Interestingly, Sb is below 100 ppm in most samples from this location. These new surface sample results indicate more work is needed in this location.

Sampling of outcropping veins at Green Spec returned gold grades between 2.5-38.6 gpt. Sb ranges from a few hundred ppm to 1.4%. Although a small shoot of mineralization is defined by historic drilling, more work is needed at Green Spec and along strike in both directions. 20 Mile area: A new target has been confirmed about 500 m east of 20 Mile Creek. Recent and historic spot rock chip samples from veins grade 3.0-15.8 gpt Au. Like Orange Spec, Sb contents are low, generally less than 100 ppm. A few scattered historic drill holes have been identified nearby, but more work is clearly warranted in this location.

"Due to the soft nature of high grade gold vein mineralization at Blue Spec, it can be quite challenging to identify such material at surface," commented Dr. Quinton Hennigh, President, CEO and director of Novo Resources Corp. "Nonetheless, we have discovered or confirmed several Au-bearing targets along the length of the Blue Spec shear zone. Finding a new outcrop in the scrub at Middle Creek grading 47.7 gpt Au is quite remarkable, for example. Now that we have a much better sense of what we are up against, we plan to come back and try to expose more vein outcrop along these target areas through trenching later this year."

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