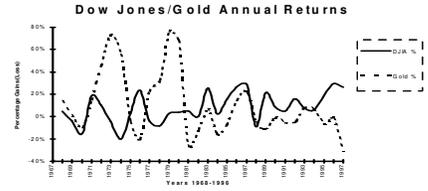




Gold

Energy & Tech Stocks



Weekly Hotline Message

(Now in our 36th Year)

May 19, 2017

Update

Novo Resources—Now More than Ever!



Exploration & Development of gold mining in northwestern Australia

Traded Toronto:	NVO
USOTC:	NSRPF
Shares Outstanding:	116.6 million
Price 5/19/17:	US\$0.56
Market Cap:	US\$65 million
Public Float:	45.88%
Tightly Held ¹ :	54.12%
Fully Diluted ² :	158.3 million
Current Cash:	~C\$15 million
Gold Resource ³ :	558,000 ounces
Progress Rating:	A3
Phone:	604-688-9588
Website:	http://www.novoresources.com/

¹19.5% collectively from most recent private placement, mostly from Eric Sprott and Donald Smith & Co, 15.29% Newmont Mining, 9.66% the Creasy Group, and 9.66% management. ²Warrants that are exercisable between C\$0.80 and C\$1.25 with the C\$0.80 maturing on July 10, 2017, and the \$1.25 warrants maturing on Aug. 12, 2018, would result in the company raising approximately C\$35 million within the next 15 months. ³Following is a summary of Novo's current gold resource, which is scheduled to be updated this year.

Beatons Creek New Resource (Sept. 15, 2015)

Near Surface Mineral Resources				
Classification	Cut Off Grade (g/t)	Tonnes (000)	Grade (g/t)	Resource (oz)
Measured	0.5	515	3.1	51
Indicated	0.5	2,822	2.7	241
Measured & Indicated	0.5	3,337	2.7	292
Inferred	0.5	2,668	2.4	203

Underground Mineral Resources				
Classification	Cut Off Grade (g/t)	Tonnes (000)	Grade (g/t)	Resource (oz)
Measured	2.0	-	-	-
Indicated	2.0	55	4.2	7
Measured & Indicated	2.0	55	4.2	7
Inferred	2.0	369	4.7	56

Global Mineral Resources				
Classification	Cut Off Grade (g/t)	Tonnes (000)	Grade (g/t)	Resource (oz)
Measured	0.5 / 2.0	515	3.1	51
Indicated	0.5 / 2.0	2,877	2.7	249
Measured & Indicated	0.5 / 2.0	3,392	2.7	299
Inferred	0.5 / 2.0	3,037	2.7	259

Please refer to the news release issued on September 16, 2015 for further disclosure

This has been my top newsletter pick as well as my top personal holding ever since I added it to my newsletter on August 9, 2013. I would be lying to you if I told you I have never been disappointed with the performance of these shares. After all, the current price is about 34% below my average price as well from the price of \$0.80 when I added it to this letter. To add insult to injury, this decline has taken place while the S&P 500 continued to make one new high after another.

One listener to my radio show no doubt captures the feelings of many people who have heard me talk positively about Novo over the past several years. Here is what he wrote to me not long ago: "All we hear from Dr. Hennigh is Novo soon will be producing

gold. The only thing I see is increased special stock sales to privileged investors with free warrants and dilution for everyone else. How about asking this question to him as to why so much dilution and no production."

I'm not sure how experienced this particular investor is in the mining industry, but I'm guessing he has not been around this industry as long as I have—since the late 1970s. I will be interviewing Dr. Hennigh on my radio show next Tuesday, which you can listen to live, here <https://www.voiceamerica.com/show/1501/>, between 3:00 PM and 4:00 PM New York time, and I will certainly give Dr. Hennigh a chance to address the dilution issue.

Since Quinton has a good portion of his personal wealth tied up in Novo, I'm guessing he isn't very happy about dilution himself. But given the considerable interest I have in Novo, I keep up with it more closely than any other stock covered in this letter, and from all I can see, Dr. Hennigh is turning what has been some disappointing delays in getting into production into a win/win situation. Regulatory delays combined with a horrendous five-year bear market kept the company from generating cash flows from operations as I had hoped, and I would be lying to you if I were not more excited than ever about this story.

The company's press release put out on May 16 should explain in part why I am more pleased than ever about Novo's prospects. With the recent \$15 million raise and a lot more possibly derived with the execution of warrants and options, Novo is now aggressively moving toward a larger scale and higher margin gold mining operation than previously planned, which involved gold recovery using only standard gravity technologies. Through the remainder of the year, Novo plans to complete the following critical steps at Beatons Creek:

- Undertake approximately 10,000 meters of reverse circulation drilling and collect approximately 800 trench (costean) samples with the aim of expanding and upgrading near-surface mineral resources: Drilling and costean sampling have recently begun with targeted completion by mid-June. Novo anticipates announcing a continual stream of assay results over the next two to three months.
- Targeting completion of a prefeasibility study for the Beatons Creek gold project by the fourth quarter of 2017.
- Advance production-related permitting at Beatons Creek: Novo has recently hired an in-house environmental scientist, Chris Goti, MSc, environmental management, Queens University Belfast. Mr. Goti was most recently at Millennium Minerals Ltd., an Australian gold producer active in the Nullagine region, where he oversaw all aspects of permitting activity.

On March 7 of this year, Dr. Hennigh began revising plans from a pure gravity separation project to a gravity and Carbon-in-Leach (CIL) process, which was based on exceptionally high gold recoveries from cyanidation tests performed early this year on bulk samples taken from Novo's 100% owned Beatons Creek Project. The revision was also made possible by an improved equity market for gold shares, thereby negating the need to move Beatons Creek forward on a shoestring budget. Further data from recent cyanidation test work conducted by ALS Global of Perth support Novo's gravity-plus-CIL processing concept. Even at a coarse grind size of 280 microns, gravity-plus-cyanide-leach recoveries exceed 96 per cent, with over 50 per cent of gold recovered by gravity and the remainder by cyanide leach. Consumption of cyanide and lime is low.

These results are very promising for several reasons:

- Coarser grinding translates to lower power requirements for milling, a potentially significant cost savings for the project.
- Coarse tailings allows for consideration of dry stacking as a means of tailings disposal, a potentially cheaper alternative to conventional tailings ponds.
- Water can be readily recovered from tailings for reuse in milling, meaning lower overall water consumption, a potential cost savings.
- Reagent consumption is low, which translates to lower processing costs.

Novo is currently contemplating a scenario whereby material is processed at a mill to be constructed on the Blue Spec mining leases. While this adds a component of transport to the mining scenario, Novo anticipates complexities around permitting will be reduced since the Blue Spec mine is outside of the town of Nullagine's watershed.

The company's first goal is to expand and upgrade its mineral resources in preparation for completion of a prefeasibility study later this year. The cyanidation results noted above suggest a gravity-plus-CIL scenario for processing is ideally suited for the project and will form the basis of our prefeasibility study and proving that the company is serious about moving aggressively toward the permitting process, Novo hired an in-house environmental scientist, Chris Goti, who as noted above had previously worked with Millennium Minerals, which company has an operating mill operation nearby to Novo's Beatons Creek Project.

One more thing I would like to bring to your attention is the recent announcement that Novo entered into a binding terms sheet with an arm's-length vendor to acquire the vendor's interest in the Comet Well project in the Karratha region of Western Australia. The Comet Well project consists of a 100-per-cent interest in three special prospect licenses, a 100-per-cent interest in an exploration license and a 25-per-cent interest in a second exploration license. This news item was largely unnoticed back on April 11 when it was announced. I can't say too much more now about this but it is my belief that it could be very important going forward. Stay tuned!

Just one more note. Novo closed strongly into the close today at C\$0.76, which is just \$0.04 from the first warrant exercise price. With assays and other news coming out on a regular basis through the end of this year, Novo should be a lot of fun.

PS: I am scheduled to interview Dr. Quinton Hennigh, the president & CEO of Novo Resources, on my radio show on May 23, 2017. He will be followed by well known foreign exchange analyst Marc Chandler of Brown Brothers Harriman. Please tune in live at <https://www.voiceamerica.com/show/1501/> or listen via podcast the following day here: <http://jaytaylormedia.com/audio/>.

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