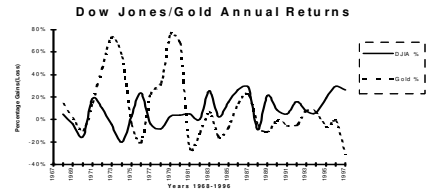




# Gold

## Energy & Tech Stocks



Weekly Hotline Message (Now in our 33<sup>rd</sup> Year) March 7, 2014

Stock Pick of the Week (2014-03-07)

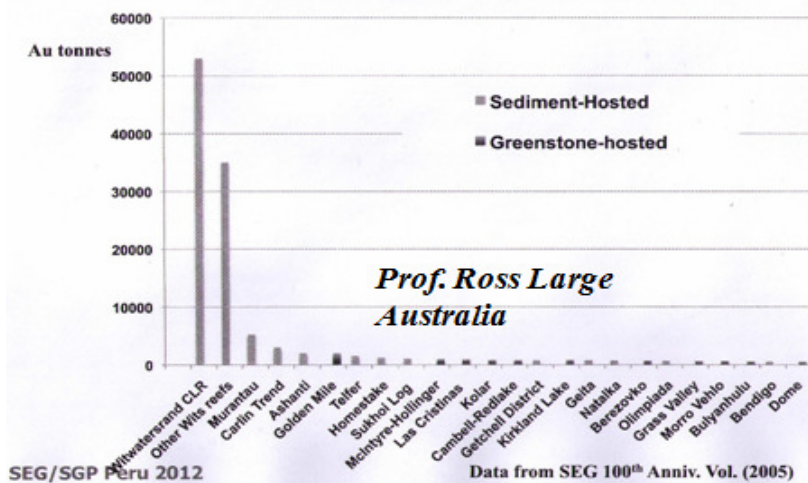
### Novo Resources Corp.



**Business:** Exploration and development of a Witwatersrand Basin-like gold deposit in North-Western Australia

Traded CNSX:	NVO
US OTC:	NSRPF
Shares Outstanding <sup>(1)</sup> :	55,505,310
Major Shareholders – Newmont:	32%
Management:	18%
Initial Recommendation 11/8/13:	US\$0.69
Price 3/7/14:	\$1.61
Market Cap:	\$89.4 million
Cash (approximate):	\$10 million
Gold Resource (Inferred):	421,000 oz.
Mining Target (near term):	Open Pit-Leach
Progress Rating:	A3
Phone Number:	604-688-9588
Web Site:	<a href="http://www.novoresources.com">www.novoresources.com</a>

(1) Before 23.66 million shares are issued at a minimum of \$1.09 in exchange for a 70% interest in 103 additional tenements covering 18,000 square kilometers of Archean Fortesque formation rocks, acquisition of a subsidiary company owned by the Creasy Group and payment of \$5 million in past exploration expenditures. The acquisition of this massive land acquisition, which was announced on March 4<sup>th</sup> and which covers most of the basin rocks prospective for the discovery of a Witwatersrand type deposit in the Pilbara region of north central Australia, will, upon closing allow Novo Resources to begin an aggressive exploration and development program.



I have become increasingly interested in Novo Resources Corp. because I think it may be in the early stages of one of the greatest gold discoveries made over the past many decades. That's why I invited Novo's CEO, Dr. Quinton Hennigh, to be a guest on my February 18, 2014, radio show which you can listen to on my website at <http://jaytaylormedia.com/archives/> While most companies I interview on my show are paid sponsors, Novo is such an exciting story that I invited Quinton to come on just because I think it is such an exciting and important story. When I say Novo may be on to the greatest gold discovery in many decades, that may well turn out to be a great exaggeration. I have been excited about exploration plays in the past only to be

disappointed to find out my dreams were more fantasy than reality. That may be true in the case of the Novo Resources story too. But then again it might not be, because as you will see from the transcript below of my interview with the highly regarded economic geologist, Dr. Quinton Hennigh, he believes he may have discovered a Witwatersrand lookalike.

For those of you not familiar with the Witwatersrand, more gold was produced in that South African mine than in all the other gold mines added together in the history of humankind.

Subsequent to my radio interview with Dr. Hennigh, I met with him at the PDAC during the first week in March. It was a most informative meeting and I had the sense that Quinton is quietly confident he is on to a major discovery. I also spent approximately half of my 24-minute speaking time at the PDAC to highlight this company. My enthusiasm about Novo Resources is not meant to detract from my excitement about other companies on my list, but to give you an idea of why I am so excited about this story, take a look at the chart above. The two bars on the left represent the gold that has been mined over the past 130 years at the greatest gold mine in history—the Witwatersrand Gold Mine in South Africa. The bar furthest-left is the gold mined from the Witwatersrand that was found in what Quinton describes in the interview below as “Carbon Leaders.” Next to that bar is all the rest of the gold that was mined from the Witwatersrand deposit that was not contained in “Carbon Leaders.” By contrast, the other tiny bars on this chart are of all the other “great” mines through history. And as you can see, nothing compares to the Witwatersrand mine, not even the famous Carlin Trend in Nevada.

Quinton told me when I met with him at the PDAC that Newmont, which owns 32% of Novo, is sending a crew of people to Australia to work on this project. Newmont has no contractual obligation to do so. They apparently see Novo’s project in Australia, known as the Pilbara Project, as a phenomenal opportunity. Quinton speculated that one of the reasons he thinks Newmont likes the project so much is the relatively flat-lying near-surface orientation of the gold-bearing conglomerate beds within which the gold is hosted.

There is no way of knowing yet how big this deposit is. But there is every reason thus far to be very optimistic about the chances of a very successful exploration play on the Pilbara Project. Because I think this is an extraordinary story, I am passing along the written transcript of my February 18 interview with Dr. Quinton Hennigh. I hope you enjoy and profit from it.

**Jay Taylor:** Welcome back to *Turning Hard Times into Good Times!* I am your host, Jay Taylor, and I’m really pleased to have with me today Dr. Quinton Hennigh, the president and CEO of Novo Recourses. This is a company I have recommended to my subscribers and in fact just issued an update for them this past weekend.

And I must tell you that Novo Resources is my largest holding in my own highly diverse gold share portfolio. By that statement I don’t want to mislead anyone into thinking this is a slam-dunk risk-free stock. By no means is that the case.

The company’s exploration efforts in Australia are still early days but I find this company’s story to be very interesting and exciting. And in my view, the upside potential is substantial enough to warrant even an old guy like me taking a bit more risk in this junior gold exploration company than I do in most of the others, which is again why I am really pleased to have today Dr. Quinton Hennigh.

Just bit about Dr. Hennigh’s background before we say hello to him. He is an economic geologist with more than 20 years of exploration experience with major gold mining firms including Homestake, Newcrest Mining and Newmont Mining.

Dr. Hennigh was the former director and chief geologist of Evolving Gold Corp., where he helped assemble a world-class portfolio of gold projects and led successful exploration results in three significant discoveries, including the Rattlesnake Hills Deposit in Wyoming.

Currently, Dr. Hennigh is a director and technical advisor to Gold Canyon Resources, which is another company that I have covered in my newsletter in the past. There he helped to refocus the exploration at that company’s Springpole Gold Project in the Red Lake District in Ontario.

Dr. Hennigh is currently the chief geologist of Euromax Resources, technical advisor and director of Prosperity Gold Corp., and a director of NV Gold Corp. And again, most important for our discussion today, he is also the president and CEO of Novo Resources.

Dr. Hennigh graduated from the Colorado School of Mines, where he received his PhD. Welcome, Dr. Hennigh, to *Turning Hard Times into Good Times*. It's really good to have you with us today.

**Quinton:** Thank you very much, Jay. I look forward to this discussion.

**Jay:** Well it's a pleasure talking to you. You have great reputation as an exploration geologist, and what I found really interesting, if there is one word aside from your name that caused me to be interested in Novo Resources Corporation, it was the word "**Witwatersrand**."

When I say "Witwatersrand," it may not be a word that everybody listening to this show knows about, but anybody who has been a gold investor for any length of time would associate that name with the most prolific gold mine in history. In fact, the Witwatersrand has produced some **1.6 billion ounces of gold**. More than half of the gold that's ever been mined in all of the mines has come from this mine alone. So naturally, people might want to try to find another one of these things if they can, but there clearly can't be too many deposits of that magnitude on the face of the earth. Still, the notion that there could be another Witwatersrand is why I found Novo Resources to be so interesting. I saw that word "Witwatersrand" associated with your story in Australia.

Quinton, can you give us at least a little sense of the geological history of Witwatersrand? What are the theories of geologists as to how it was formed?

**Quinton:** Certainly! So here is a background on the Witwatersrand Basin. The Witwatersrand is in South Africa. Gold was discovered there in 1886 so the mine has been active now for almost 130 years. As you said, it has produced about 1.6 billion ounces of gold, but it also has a resource and reserve of somewhere in the order of a billion ounces remaining.

**Jay:** Wow!

**Quinton:** The deposit is truly unique. It has produced just some extraordinary amounts of gold. There is nothing that holds a candle to it. So it's very difficult to compare it to any other deposit in terms of its geology and how something like this can form. It really does have its own unique combination of events that culminated in creating such a vast deposit.

The Wits Basin is very old. It's about 2.7 to 3 billion years old, which puts it back in the early part of Earth's history, during the period we call the Archean. During the Archean, things were much different here on Earth. We would not have had any significant plants or animals of any type. We would have had only single-cell life forms for the most part.

Now this period from about 2.9 to 2.7 billion years ago was very critical on Earth. There is very good evidence from multiple lines of study including stable isotopes and the chemistry of these various rocks that were deposited during this time that suggests that the first photosynthesis actually began—the cyanobacterial algae actually started taking sunlight and producing oxygen.

I will talk more about that in a minute, but first let me talk about what I would say is the consensus view of how the Wits gold mineralization deposited. There are really two opinions among geologists as to how the Witwatersrand Basin was formed and how the gold was deposited there. One model is what is called a **paleoplacer deposit** model, which is a deposit where you concentrate gold or other heavy minerals in an aquatic environment, like streams, rivers, even beaches.

And many people view the Wits as being a fossilizer or a lithified version of a placer deposit. There is a lot of evidence that supports that model very strongly. Without going into huge detail here, there is good sedimentary evidence. You can see old riverbeds, rounded pebbles. That tells you that in these rocks gold was laid down in an environment that was under water. So, the paleoplacer view is one view of how gold was deposited at Witwatersrand.

The other view I would say is held by a minority, but it's still out there and that's that the gold was introduced into the basin subsequent to the deposition of the rocks. So, the rocks were laid down, then lithified, and then hot waters came long, much like the hot waters form many of the other types of gold deposits. These hot waters percolated or permeated

through these various sedimentary units and deposited gold. So, that would be what I would call the *hydrothermal model* for the formation for Witwatersrand gold deposit.

Many people view that the hydrothermal event taking place may tens or hundreds of millions of years after the basin was formed and that would make it much more like deposits you find in, say, Timmins, Ontario, like an orogenic old type deposit, something like that.

**Now, there is one glaring problem that needs to be addressed with both those models and that goes back to what I talked about a minute ago and that is the vast volume of gold in these deposits in the Wits Basin. It is simply not comparable to any other deposit yet discovered on the face of the earth.**

**The amount of gold is just staggering. If you look at any other placer deposits on the planet, there is nothing that even approaches the size of Wits.**

**The largest placer deposits maybe in Magadan in eastern Siberia are a few million ounces, not 1.6 billion ounces, so it's really hard to account for how you could create such a vast placer deposit.**

You would have had to grind up many, many cubic kilometers of Earth's crust and carefully refine all that gold in an extreme environment to produce such a deposit. So, that's a challenge.

The challenge is similar to the orogenic (hydrothermal model) gold deposits. Looking at the Wits, you might say, "Okay, the hydrothermal model has some merit. We can see some evidence that gold is moved around in solutions in the Wits." But there are no other orogenic deposits that hold a candle to the Wits [in terms of its size and nature].

The biggest orogenic camp on Earth, the Superior Province in Canada probably hosts 150 million ounces, compared to 1.6 billion in the Wits. So neither of these Wits formation theories seems adequate in explaining the magnitude of gold found in the Witwatersrand deposit. All right so --

**Jay:** So I understand you have an alternative view. Can you talk about that?

**Quinton:** Yes sure. And I am going to start by saying this view is held by a very small minority of geologists. I have published a couple of papers with some other authors and we have a view that's different, regarding the formation of the Witwatersrand gold deposit.

When I was in graduate school at the Colorado School of Mines, I was doing some work, studying samples from the Witwatersrand that were provided by Goldfields. I dissolved these rocks carefully in hydrofluoric acid so it dissolved the silica away and I could look at the residue that was left.

**And one of the things that I noticed in one sample was that there were chunks of carbon, little particles of carbon. They looked like small pieces of charcoal or something and they were clearly rounded, like they were detrital particles. There were little pebbles everywhere, they were caught in this conglomerate and they were full of gold.**

And to give you a little background, **the Wits has a particular type of gold occurrence called the Carbon Leader, which is truly unique. It's a little tiny seam. It's only a few millimeters thick at most and it contains upwards of many percent gold in places.**

And this Carbon Leader material in my opinion was detritalized (worn down into small particles by water action) and captured in this conglomerate sample that I had analyzed back at the Colorado School of Mines.

So that really made me pause and start to think perhaps we are wrong in looking at the Witwatersrand Deposit as a paleoplacer deposit. Maybe we shouldn't be thinking the gold came from a source outside of the basin. Maybe the gold is actually coming from the basin itself. In other words, perhaps it was precipitated first, then pushed around a little bit here and there more or less in a placer form.

Alright, so fast forward after my graduate work, I was really fortunate when I worked at Newmont to get a lot of support. We had a program looking for paleoplacer deposits and I got a lot of support in terms of time and some money to do some research.

And as I researched this topic more and more, I was very fortunate because I got to see a lot of these very old basins that formed early in Earth's history.

So, I started to see the same elements that I saw in my graduate work at the Colorado School of Mines. There is this gold associated with carbon detrital pyrite and things like that in other basins as well as at the Wits.

I began to form in my head a view that maybe the carbon itself and the pyrites that are associated with the deposits were formed through microbial activity. In other words, some of this early life I talked about a minute ago, perhaps it was responsible for precipitating the gold.

**Jay:** So we are talking about this simple sort of one-celled organisms, right?

**Quinton:** That's right, and when I say that there were also some things called stromatolites, which are collections of one cell organisms that grow and form these mats or lumps. Anyway, the idea began to form in my head that maybe these deposits were chemically precipitated and it was in response to the evolution of these early microbes.

So, I started looking at the chemistry of earth at that time. Back then there was no oxygen or very little oxygen in the atmosphere. There would have been a lot of carbon dioxide, there would have been lot of H<sub>2</sub>S which is hydrogen sulfide gas, which is like methane and other forms of carbon in gaseous form, but it was a reduced environment, and that environment would have been ideal for dissolving gold.

So, I did some projections based on some geo-chemical data I found on the solubility of gold and I found that seawater would have been able to dissolve somewhere around four to forty parts per billion gold.

Now, to put that in perspective, a cubic kilometer seawater weighs about a billion tons, it's roughly a ton per cubic meter, so a cubic kilometer is roughly a billion tons. **If you have four parts per billion of gold in a cubic kilometer of seawater, you would have four tons of gold and if we had forty, we would have forty tons of gold. So, I thought wow! This is extraordinary. We have a lot of ocean water, you could dissolve an enormous amount of gold in the seawater itself.**

Now, nobody was around 2.7 billion years ago so we can't analyze seawater from that time, but—and this is just based on geo-chemical extrapolations—it is conceivable that an ocean was capable of holding a lot of solubilized gold that was dissolved in water.

**All right, so let's combine that with microbes. These microbes were the first ones to photosynthesize. They took sunlight and as they went through photosynthesis, they generated oxygen as a byproduct. And oxygen would have then entered seawater and it would have been really the first significant oxidants.**

**Now gold's solubility is extremely sensitive to how much oxygen is present in a solution. If you put oxygen in water, gold drops out almost immediately.**

So if you look at Wits and look to *Carbon Leader* horizon, the Carbon Leader like I said is a few millimeters thick, it's like small coal seam. You look at it very carefully and it shows a line of textures that one could interpret as *microbial mats* and these little carbon seams are just chock full of gold.

**It's just extraordinary! You look at these things and in many places there will be five or ten percentage gold in the carbon itself!**

Well, you think okay—so the next step I did, I looked at the carbon in the carbon leader and sure enough the chemistry of the carbon is caradan. It's basically the residue left when you heat up organic matter and you flush out of bitumen. So the bitumen goes off, it migrates away, that becomes oil somewhere, but the residue that's left is called caradan and it is a key

to showing that these things were indeed small algae or cyanobacterial mats. There was actually a paper published a couple of years ago on that chemistry.

Okay, combine all this, so we have seawater with gold, we have early life forms that were taking off oxygen and lo and behold they were collecting gold by the kilo! I mean these mats were just sucking gold out of seawater. So that is the model I put forth.

**Jay:** So what are some of the objections to your model since it is as you say a very small minority of geologists who buy into it at this point in time?

**Quinton:** Sure. Some point back to the all the conglomerates that are at the Wits that are typical of paleo-placer deposits. But over millions of years, sea levels drop and you expose a flat estuary and then rivers come along and they tumble the stuff around creating a placer-like deposit. Then seawater rises again and you get another layer of conglomerates all over again and a new Carbon Leader is created. Then the cycle repeats, which is why you see so many conglomerate layers at the Wits. As the sea level drops, the sea bed is exposed, you get more paleo-placer action but the gold was sucked into the carbon mats before the ocean levels fell.

So that's the environment I believe the Wits formed in and if it was formed in South Africa, I would say well, heck! Maybe it could have formed somewhere else.

**Jay:** There certainly would have been a lot of time for this ebbing and flowing of the sea to have taken place. You are talking about going all the way back there to, what did you say, 2.7 billion years ago or so?

**Quinton:** That's right.

**Jay :** So lots of things would have been taken place in the many millions of years since then. All right so that's then. So, it was the work you did while you were at Newmont that led you to look to the Hamersley Basin in Northern Australia? You were looking for rocks that were around 2.7 billion years of age that were formed in a shallow sea?

**Quinton:** Well, more or less. Yes, there is bit more to it. If you look back in the tectonic record, back in early earth history, there were really few continents. In fact, there was very little land above sea level.

So the earliest continent on earth, earliest proto-continent I should say, was something we call Vaalbara and the Vaalbara name comes from a combination of Kaapvaal, which is the early pre time in South African and Pilbara, which is the pre time in Northwest Australia.

These two blocks of crust are some of oldest pieces of crust on earth and it is believed that they were once connected. So, going back to the Archean time period, it's believed that Pilbara pre time was connected with Kaapvaal pre time to form what was the Vaalbara continent. The continent would have been very small. It would have been about maybe the size of the South Island in New Zealand.

**Now, this is where these deposits I believe form, so the keys here are: 1) shallow water, 2) microbial activity, and 3) sufficient time for the microbes to pull the gold out of seawater.**

And it had to happen in this very critical point in earth's history where these microbes were developing because after this time the gold was sucked out of seawater. The level of gold and seawater dropped dramatically. So, we have to look for all pieces of early earth crust. So given the history I just laid out, where else but the Pilbara were you to go?

So that's what led us to Australia. We see the same age sedimentary sequence in Australia. *It's called Fortescue Group in Australia instead of the Witwatersrand* but it has many of same characteristics and based on that conceptual notion it led me to Australia.

**Jay:** Can you talk about how you picked up the land you are working on now?

**Quinton:** It took a while to put this land position together but I dealt with a gentleman in Australia named **Mark Creasy** who is a very well-known prospector, has a tremendous reputation for making several discoveries, most recent of which is

the serious large nickel discovery in the Fraser Range. Anyway, Mr. Creasy owned a lot of this ground in the Pilbara. He recognized the gold occurrence in these conglomerates. So, he carefully and quietly picked up a lot of land over say 20-year span and he has largely held it doing minor work here and there, waiting for somebody to come along do a deal.

So here I come with my crazy ideas about bugs and gold and stuff and he actually liked it quite a bit and we decided we could work together. So I have got a joint venture with him now on quite a large land package in two different areas, Nullagine and Marble Bar to explore.

So we took this from conceptual play to a real tangible discovery in a very short time. We started drilling in 2011. We continued drilling in 2012, came up with a small resource but it demonstrated that the theory held true. We see the carbon. We see gold associated with carbon, we see buckshot pyrites, it's very similar to Wits. We see continuity of the reefs.

One difference we see between ours and the Wits is that we're in a higher energy environment, we're up slope or up—we are more in a fluvial environment, but other than that we feel that we're beginning to see the signs of a system that was very similar in nature to the Witwatersrand.

**Jay:** And you're seeing these very narrow or thin, I want to use the word veins, is that right word?

**Quinton:** Do you mean the Carbon Leader that is measured in percent gold that I talked about earlier?

**Jay:** Yes.

**Quinton:** We don't see the actual seams of carbon just yet. We think that those will be found further down the slope so further out in basin where the water environment was quieter like in an estuary. Like I said we are up in a more fluvial-like environment.

**Jay:** Higher energy...

**Quinton:** Yes, higher energy rich environment, so what we find are lumps of carbon. Like I described earlier in the interview, we find these little lumps and they might be two or three millimeters across, but usually when we see those lumps we also get very high grade gold values in those samples.

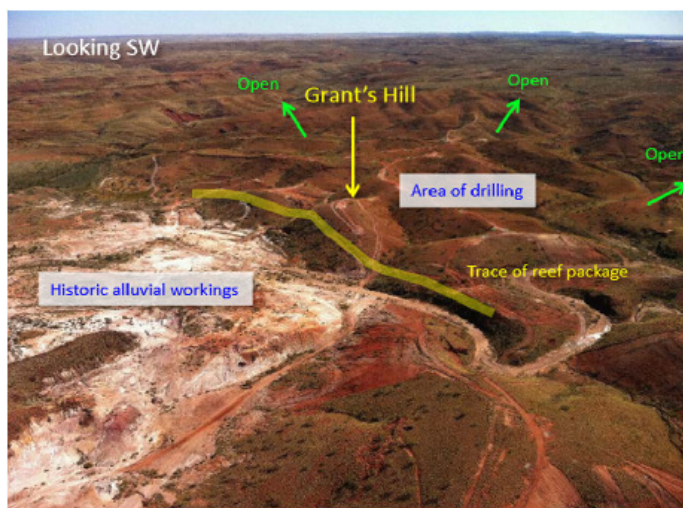
**Jay:** Fascinating! And you have already come up with—I think at one of two properties known as Beatons Creek with a NI 43-101 resource of 421,000 ounces, is that right?

**Quinton:** That's right. We did that through a very quick Shallow RC Drill program. We have an inferred resource of **421,000 ounces and it's in 8.9 million tones grading almost a gram and half**. So we did the resource—we bulked-out the reefs like you would mine them in an open pit. We didn't do very select mining but the individual reefs can be much higher grades than that. They can be in ten plus grams.

**Jay:** And you have also just announced, I think, that you had found gold mineralization some 700 meters away or so west of your 421,000 oz. resource, taken from another conglomerate horizon at Grants Hill where you discovered Beatons Creek, right?

**Quinton:** That's right. We have done quite a bit of prospecting over the past year. Right now it's summer and they have had just an extraordinary amount of rain down there so we had trouble accessing the area.

But before it started to rain we got in and did some prospecting, which is a bit of an ongoing theme for us because it's such an early stage project. Every time we go out we find something new. It's very interesting.



So yes we found a new reef above the one that we were drilling at Beatons Creek and ended up in Marble Bar. We found a new reef in an area we call North Contact Creek. It's got a few kilometers strait and we got samples up to, say, half ounces in places.

**Jay :** Wow! A few kilometers! But we're really looking at shallow targets here, aren't we at this point in time? And I know at Witwatersrand they are mining down very, very deep now. I guess initially the Wits was also a shallow deposit. Do you have any sense that this thing could go to depth as well?

**Quinton:** Well, we do. Just like you said we think we'll continue down the embedment into basin proper, it would be a sheet-like deposit.

One thing that is different about the Pilbara from the Wits is that the depth, the overall depth, is generally shallower so we are not going to get deep quick.

We could probably go out into the basin 10 to 15 Kilometers and drill holes and still tag these reefs if they are there within, say, a kilometer surface. Whereas in South Africa of course the difference is like 30-40 degrees and it gets deep very quickly.

**Jay:** That's really good news for Novo Resources if you don't have to go to depth and have a flat lying deposit. I should think that potentially bodes very well for the economics of the project. Of course as you point out it's still very early days and I don't want to mislead people from my early remarks that I think this is a slam dunk, get rich quick scheme. But it's just very interesting and very exciting. One of the most exciting stories I have ever followed in my newsletter.

Now you're earning a 70% interest I believe. What do you have to do to earn your 70% interest in these very major sized properties?

**Quinton:** Okay, yes Novo is earning a 70% interest from the Creasy Group. We have largely earned that already because we have spent the two millions dollars that was required. We actually have the project insulated in the subsidiary company.

So, Mr. Creasy doesn't have shares in Novo at this time. He will get shares when we float out the subsidiary company into a free trading vehicle. I structured it that way mainly because it keeps us from having to spend money on reimbursements for past expenditure and stuff for the time being. It also saves us some taxes and things like that, but it allowed us to do a lot of work very quickly without diluting our shareholders. As you noted, we have 55 million shares outstanding.

**Jay:** Yes! I love that!

**Quinton:** Yes, we have leveraged the situation.

**Jay:** 55 million shares with Newmont owning 32% and management holding another 18% means the share float is half that number. So a very tight share structure, which I love. It is so important to early shareholders.

**Quinton:** That's right. We have very tight group of shareholders and that's one benefit we have had in this down market. We just had a lack of sellers basically, so --

**Jay:** Yes, your share price has held up relatively well compared to almost all the other juniors but you do have fair amount of money in the till. I saw September working capital run \$8 million. How far will that take you this year in your exploration efforts?

**Quinton:** Actually with the warrants we got to exercise late in the year we have a little over \$10 million now.

**Jay:** Okay.

**Quinton:** We're very careful with money. I haven't spent a lot here recently so we have the intention to make it last two or three years until we get through this downturn in the market.



We do have a small joint venture with a neighboring mining company called Millennium Minerals. In fact the resources that we drilled is actually on that piece of ground and it extends out on the Creasy ground but the area that was drilled for a resource lies in a 70-30 JV with Millennium and we have largely earned in on that. At this point we spent the money that was needed there.

**There may be an opportunity potentially for putting our resource into production at an early stage. They (Millennium) have a mill just a couple of kilometers – seven or eight kilometers away. So there are little opportunities like that we’re looking at.** We don’t have anything defined but --

**Jay:** Sure. Possibilities of early cash flow to help finance what might be a very major exploration going forward and many years in the future potentially?

**Quinton:** That’s right.

**Jay:** I am just wondering with only a couple of minutes left here Quinton if you can give us an idea of some of the other issues that come into play with respect to prospective economics on the Pilbara project? What about infrastructure, labor things like that? And also, is there nugget effect with this mineralization?

**Quinton:** Yes, I’ll pick the parts of the questions one by one. First of all as for infrastructure, we’re in a great location. Both projects, the one at Beatons Creek and Marble Bar lie very near highways. So we can get in and out, no problems as long as there is no significant rain like there is right now. So, infrastructure is no issue. There are a lot of mines in the area. We have iron mines. We’ve got a gold mine within close proximity.

Let’s see, as far as labor goes, Australia has softened quite a bit here recently so cost of labor is coming off, availability of people is actually improving. So I think things are definitely in the uptake there. The Australian dollar has also come off which is a plus.

Regarding a nugget effect, yes we do see a nugget effect but it’s not just caused by coarse particulate gold. We see coarse particulate gold in places and it causes high variance in some samples, but we also see a clustering of fine grain gold in the matrix in places which, If you can imagine drilling a coarse bolder conglomerate, there are places where you drill through a large bolder and you won’t have as much matrix where the gold is situated.

It’s got lower rate values and then another hole might go through multi matrix and have disproportionally higher amounts of gold. So it is a challenge to evaluate the exact rate but through enough drilling and especially large diameter drilling I think we can handle that.

**Jay:** I know that you’re going to be heading down to Australia I guess later today so I don’t want to keep you longer but may there be anything you might come back with from Australia when you return that you can tell us about?

**Quinton:** Well, I’m talking to Mr. Creasy about some of his other lands in Australia. I’m hoping that we might find some common ground there. I have also got some other opportunities I have always kept my eye on.

So, I’m kind of stirring some pots right now while the summer is in full swing but I’m also getting ready for next field season. We have—I got a meeting with our crew to discuss our drill plans for 2014.

**Jay:** How much do you expect to spend on how much drilling or is that still in the making, are you still forming that now?

**Quinton:** I think we have started to develop a pretty good idea. I think we’re going spend somewhere in the order of \$3.5 million on direct drilling this year depending if we do it by core or RC or a combination. That will determine how many meters we can get out of that that amount of money.

**Jay:** It certainly is a very exciting project, no doubt about it and the share float is very tight. I think some good news could drive this stock higher. And if people start to see something big taking place, and obviously if the junior market finds itself in a better environment, your shares could move higher quickly. I think things could really get exciting but this

is a very interesting story from a geological perspective and your willingness to go out and test a new theory seems to make a lot of sense based on all the work that you have done and observations.

So, I think it's fascinating and I want thank you very much Quinton for taking the time to be with us today. It's a story I hope we can talk to our listeners about more in the future.

**Quinton:** Thanks very much Jay, I enjoyed the conversations.

**Jay:** Fantastic story. All the best to you and safe travel to Australia.

**Quinton:** Thank you.

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