

# Bumper gold price fires Genesis big exploration plans

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Perth has been home to **Carnarvon Petroleum(CVN)** chief executive Adrian Cook since he was six. But he has always been a Bulldogs fanatic. It comes from being born in Footscray to a family “wrapped up in the red, white and blue.”

“It is deep in our blood,” he says. It is the grittiness of the club with its working class roots which has kept the passion alive.

“The AFL is sort of champagne footy these days with the way the game is funded and structured. But it wasn’t always like that, particularly for the Dogs, which is where a lot of the passion around the club and its supporters comes from. “Once you’re tarred with the red, white and blue, you are tarred for life.”

Cook wasn’t born the last time the Bulldogs played in a Grand Final (1961). And it is a matter of great regret that he wasn’t at the MCG on Saturday to see the tricolours as underdogs whip the Sydney Swans.

Work had taken priority, with Cook sitting in a chopper heading out to a drilling rig some 180km offshore from Port Hedland in the Pilbara to witness critical flow testing of an appraisal well on the group’s 20 per cent owned Roc gas and condensate (light oil) discovery. It was about as far as someone could have been from the MCG without leaving the country.

“It is a rare opportunity to see a flow test at a frontier basin exploration well. And it’s a rare that your team gets into the Grand Final after finishing seventh on the ladder.”

“But I couldn’t be at both. It’s a real shame and I have rationalised it as best I can. It is probably good for my ticker actually because the blood pressure always go through the roof when the boys play.”

On his return, Cook will at least be able to celebrate the Dog’s momentous victory with a kick of a 40 year-old football won in a chook raffle by his grandmother, and signed by all of the Footscray team, which he recently recovered from the attic.

And depending on the flow test results from the appraisal well, Cook could be looking to a double celebration.

Carnarvon’s partner and operator of the Roc program, the - Macquarie/Brookfield-owned Quadrant Energy (80 per cent), decided a flow test was warranted after preliminary testing indicated the presence of 60m (gross) of gas and condensate-charged sands.

The well is being perforated across the uppermost 35m of the sands and will be opened up for a flow test over a period of about a week. It is all about confirming the partners have a commercial development on their hands.

Carnarvon last traded at 10.7 cents a share for a market capitalisation of about \$110m which is kind of interesting given after expenditure in the September quarter, it is probably still holding cash of about \$70m.

The potential development opportunity at Roc is not the end of the story either with the group’s other evolving development options on the North-West Shelf, and the future upside that is coming from its ability to be active in picking up attractive exploration acreage while others pull their head in because of the squeeze from lower oil prices.

The straw-hats-in winter approach of remaining active has some real benefits in terms of lower costs of drilling, as well as increasing leverage to the upside in oil prices. On that score, oil is now knocking on the door of \$US50 a barrel after getting as low as \$US33 a barrel in January.

### **Genesis Minerals (GMD)**

Thanks to a gold price of more than \$A1700 an ounce, small players in the gold space are upbeat and busy right now.

The bumper price has given a whole bunch of juniors a chance to make some cash from small and previously stranded gold assets, with the idea being to use the cash to fund exploration for something bigger.

It is a position that low-profile junior Genesis Minerals has been working towards.

Genesis is likely to confirm this week that mining has started at its Ulysses gold project near Leonora in Western Australia.

It sets Genesis up to bank its first cheque from the toll-treatment operation sometime early next month, with the cash to fund a stepped up exploration for life extending resources at Ulysses, as well as a red hot go at cracking something big down at its Viking project near Norseman.

It could be worth watching given that, on Friday's closing price of 3.1c, Genesis' market capitalisation of \$19 million was not particularly challenging — as long as gold prices hold at elevated levels. The start to mining at Ulysses marks the culmination of a year long repositioning of the former South American-focused explorer. It only picked up the Ulysses, a small 151,000 ounce gold resource, last year.

The project was previously mined by Sons of Gwalia in 2002, yielding around 25,000oz before gold prices some \$US1000 an ounce lower than today's price killed off the operation.

Ulysses is to be mined by WA mining contractor SMS Innovative under an arrangement where SMS is providing a mixture of debt and equity funding for the project.

The project is modest. Over the next five months, it will mine an ore reserve of 74,000 tonnes at a tidy average grade of 4.1 grams of gold a tonne for 9700 ounces, with the ore to be trucked to Norton's hungry Paddington mill near Kalgoorlie.

Based on a \$A1750 an ounce gold price (it traded at \$A1716 on Friday), Genesis expects the project to generate free cashflow of about \$6m. By the end of the exercise early next year, the company expects to have a net cash balance of somewhere between \$7 million to \$9m.

The plan is to put the money to work by reinvesting in exploration at the broader Ulysses project, and at Viking where because of past exploration results, and its address in a neighbourhood where multi-million ounce operations are common, there is some potential for some real excitement.

Drilling programs are already under way to increase the existing resource inventory at Ulysses, targeting depth and strike extensions of the open pit.

At Viking, drilling is scheduled to begin in a couple of weeks. Previous drilling at the Beaker prospect there (including 5 metres at 9.3g/tonne gold from 25m) certainly warrant a follow-up campaign.

<http://www.theaustralian.com.au/business/opinion/barry-fitzgerald/bumper-gold-price-fires-genesis-big-exploration-plans/news-story/f1184d03fb023836445f3e2066410a3d>