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Genesis Minerals (GMD)

Resource increase: The genesis of something big

Analyst(s) | James Wilson | Matthew Keane

Stock	GMD
Recommendation	SPEC BUY
Current Price	\$0.038
Target Price	\$0.100

Event and First Take | Significant resource increase

High Grade Resource: Genesis Minerals (GMD) announced a 137% increase to the Ulysses resource, growing from 321koz to 760koz. The total Mineral Resource stands at 7.1Mt @ 3.3g/t for 760koz gold, with higher grade portion of 4.1Mt @ 4.7g/t containing 628koz gold. The high-grade portion is within Argonaut's predictions of 550-600koz @ ~5.0g/t. Importantly, 59% of the total tonnage and 62% of contained ounces sit within the measured and indicated categories. The deposit contains four high-grade shoots which collectively contain 1.6Mt @ 6.9g/t for 356koz (highlighted pink in Figure 1 below).

Table 1: Ulysses Mineral Resource stated at a 0.75g/t cut-off (top) and a higher grade 2.0g/t cut-off (bottom)

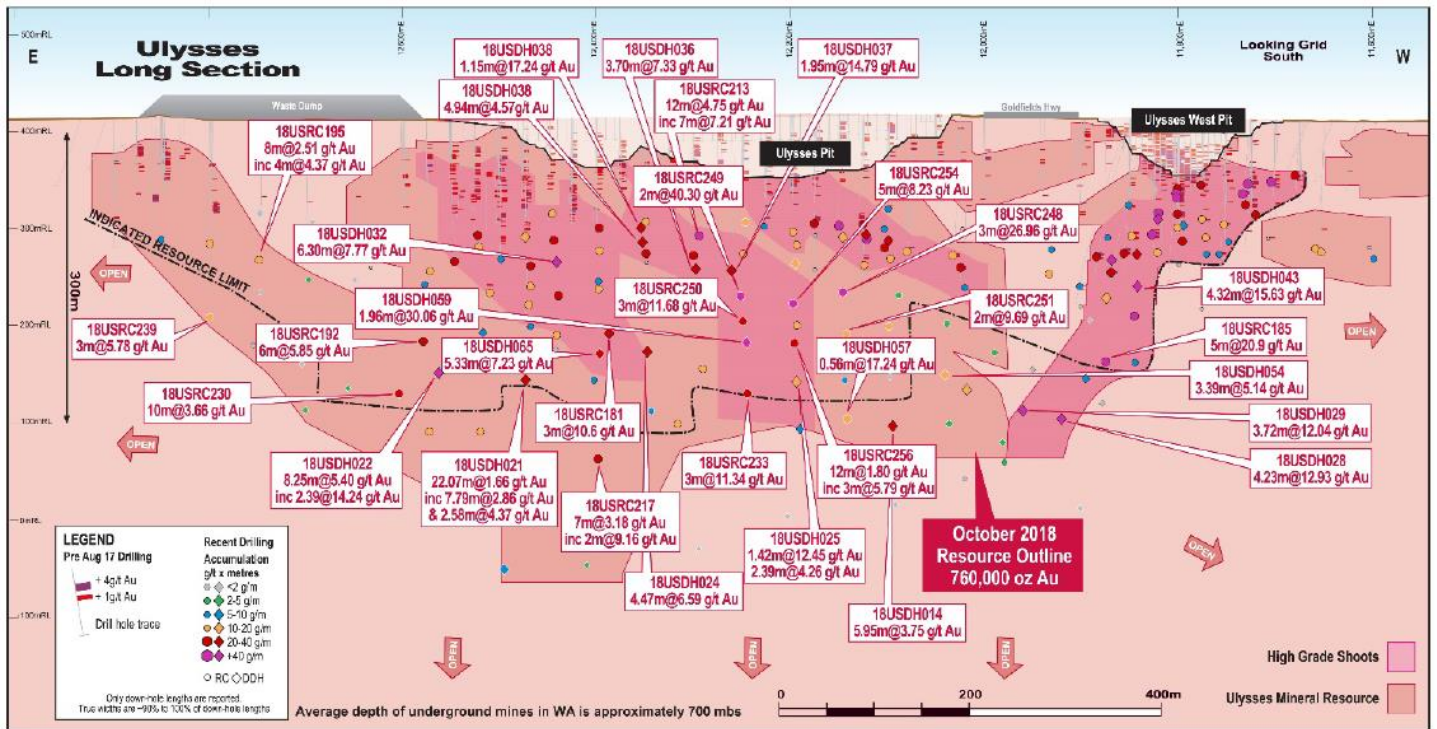
Type	Measured		Indicated		Inferred		Total		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Ounces
Oxide	6,000	2.1	143,000	1.6	146,000	1.6	295,000	1.6	15,200
Transition	6,000	3.1	364,000	1.9	234,000	1.6	604,000	1.8	34,700
Fresh	21,000	5.0	3,647,000	3.7	2,551,000	3.3	6,220,000	3.6	710,500
Total	33,000	4.1	4,154,000	3.5	2,932,000	3.0	7,119,000	3.3	760,400

Type	Measured		Indicated		Inferred		Total		
	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au Ounces
Oxide	4,000	2.5	26,000	2.8	22,000	2.2	51,000	2.5	4,200
Transition	5,000	3.3	114,000	3.1	20,000	2.2	138,000	3.0	13,400
Fresh	21,000	5.0	2,323,000	5.2	1,605,000	4.3	3,949,000	4.8	610,800
Total	29,000	4.4	2,463,000	5.0	1,647,000	4.3	4,139,000	4.7	628,400

Source: GMD

Resource remains open: The Ulysses deposit remain open both at depth and along strike. Ultimately, we believe the deposit will grow to >1Moz of contained gold. The current resource is relatively shallow with an average depth extent of just 320m below surface (500m maximum). The 2km defined strike is open to the east and west.

Figure 1: Long section of the Ulysses deposit showing high grade shoots in darker pink



Source: GMD

Standalone mine potential

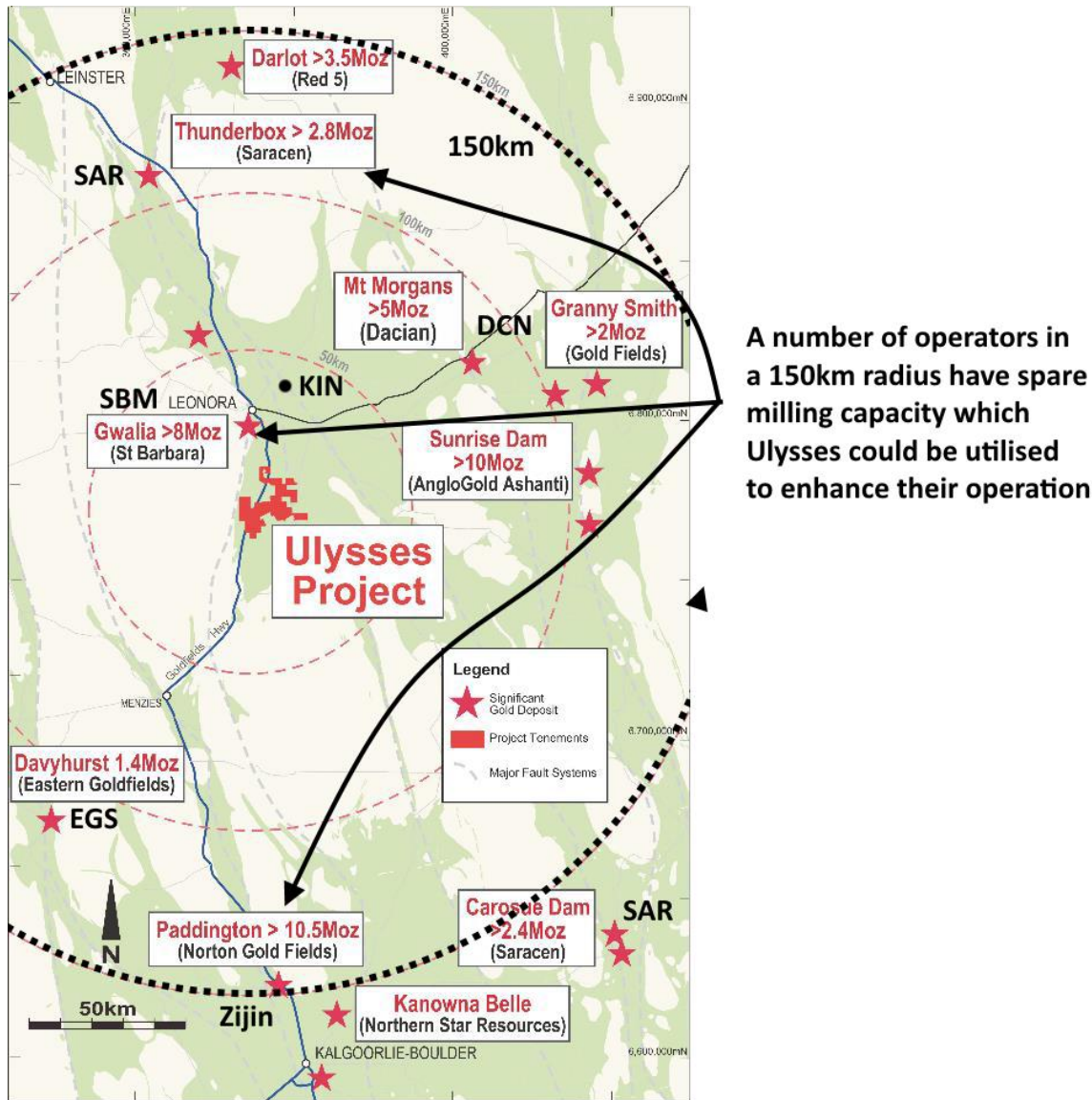
Argonaut believes this resource update and tangible upside potential goes a long way to prove the commerciality of Ulysses. Given the high grade and shallow extents of the deposit, we see a viable scenario for an underground mining operation with a small conventional CIL plant. The Company has also commenced drilling at the nearby Orient Well NW prospect just 10km from Ulysses. Shallow intercepts including 25m @ 1.4g/t from 65m and 20m @ 1.2g/t from 60m show the potential for a starter pit at this deposit to provide low strip, soft oxide mill feed.

Or, an acquirable bolt-on deposit

Ulysses location in the well-endowed goldfield is populated by a number of operating mills. Given the grade of the deposit and its adjacency to the Goldfields Highway, ore could be economically transported to a number of mills within a 150km radius including St Barbara’s (SBM) Gwalia, Zijin Mining’s Paddington, Dacian Gold’s (DCN) Mt Morgans and Saracen Holdings’ Thunderbox (see Figure 2 below). Historically, open pit Ulysses ore was processed through both the Gwalia and Paddington plants.

Recent metrics for M&A transactions includes NST’s acquisition of Pogo (EV/Resource ~\$85/oz, EV/Reserve \$468/oz), Orion Mine Finance’s takeover of Dalradian (EV/Resource \$89/oz, EV/Reserve \$373/oz) and the ongoing bid by Ramelius (RMS) for Explaurum (EXU) at \$88/oz EV/Resource oz. Comparatively, GMD is cheap, valued at ~\$43/oz EV/Resource oz based on the updated Resource.

Figure 2: Ulysses location in relation to regional mines and potential acquirers



Source: Argonaut

Next steps

GMD will continue drilling over the coming months to upgrade Inferred Resources and test open mineralisation down plunge and the east and west along strike. A maiden Ore Reserve for Ulysses is planned for H1 CVY19. This will compliment feasibility studies for a development decision expected in H1 CY19.

Recommendation

Given the significant number of M&A deals in the gold space over the past month, we view GMD as a highly appealing target for any one of the players within a 150km radius of Ulysses thanks to its simple geometry, proximity and high grade. Argonaut maintains a Speculative Buy recommendation with a \$0.10ps target price.

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Important Disclosure:

Argonaut acted as Lead Manager to the Placement to raise up to \$5.0M in April 2018 and received fees commensurate with this service. Argonaut holds or controls 2,343,751 GMD shares.

The Analyst(s) currently owns shares in GMD

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