

Spec Buy

Current Price \$0.032
Target Price \$0.10

Ticker: **GMD**
Sector: **Metals & Mining**

Shares on Issue (m): **1,329.6**
Market Cap (\$m): **43.9**
Net Cash (\$m): **10.0**
Enterprise Value (\$m): **33.9**

52 wk High/Low: **\$0.04** **\$0.02**
12m Av Daily Vol (m): **0.00**

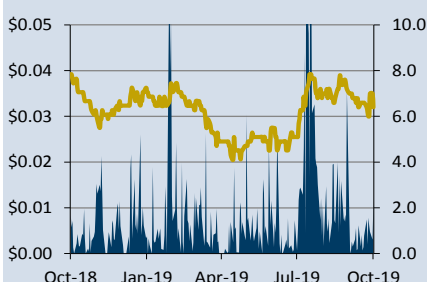
Projects **Stage**
Ulysses Scoping
Barimaia Exploration

Mineral Inventory	Mt	Grade (g/t)	Au (Moz)
	7.1	3.3	0.8

Directors:
Tommy McKeith Non-Executive Chairman
Michael Fowler Managing Director
Craig Bradshaw Non-Executive Director
Gerry Kaczmarek Non-Executive Director

Substantial Shareholders: %
Alkane Resources 14.6%
Botsis Holdings 5.0%

Share Price Graph



Please refer to important disclosures at end of the report (from page 3)

Tuesday, 22 October 2019

Genesis Minerals (GMD)

Infilling value

Analyst(s) | James Wilson | Matthew Keane

Quick Read

Genesis Minerals (GMD) has announced the second batch of results from its 20,000m infill and extension program at Ulysses targeting an initial 1,000m of strike extent and 300m down dip. Numerous high-grade results have been reported, which continue to show the continuity of high-grade mineralised lodes within the orebody. The drill program is aimed at increasing the confidence of Resources in the top 200m in preparation for mining. Three rigs are now operating as part of the infill and extension program, with an updated Resource due in Q4CY19. We see this as a prudent strategy to accelerate the prospects for development in a high gold price macro, combined with under-utilised nearby mill capacity which gives GMD potential to commence a low-cost start-up operation near term. SPEC BUY maintained and target price of \$0.10ps.

Event & Impact / Positive

Infilling necessary to de-risk: GMD has completed around half of its planned 20,000m drill program. Best results from the program to date include 6m @ 23g/t Au (from 154m), 4m @ 9.71g/t Au (from 145m) and 5.46m @ 10.71g/t Au (from 229m). The objective of the drill program is to better define the top 200m of mineralisation within the Ulysses orebody, improving definition and increasing Resource category.

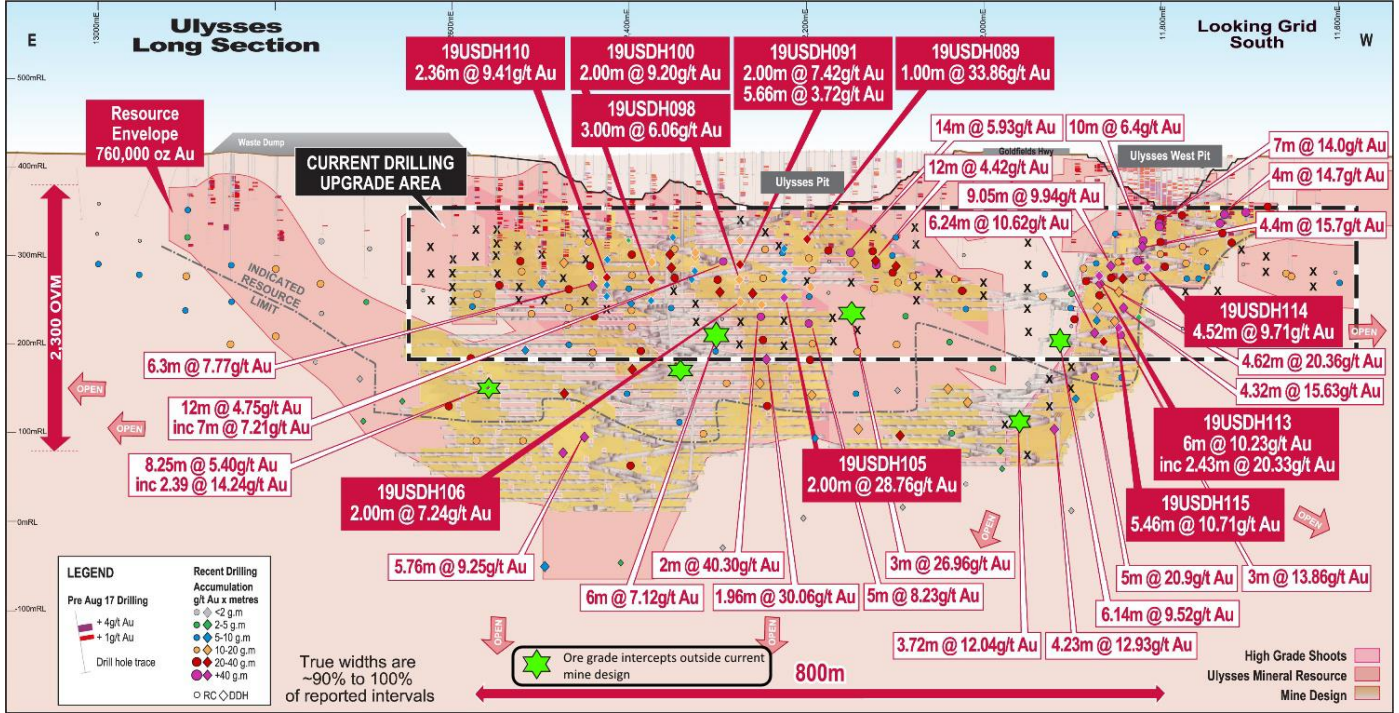
Economics highly likely to improve: Numerous results in today's release show mineralisation outside of the previous underground mine design with examples such as hole 19USDH105 2m @ 28.76g/t Au and 19USDH110 2.36m @ 9.41g/t Au. The previous scoping study considered only 400koz of the 760koz Resource using a \$1,650/oz gold price (vs current ~\$2,200/oz). GMD trades on undemanding metrics of EV/Resource \$50/oz vs the sector average EV/Resource of >\$100/oz and the recent SLR's takeover of EGA at \$114/oz.

A window of opportunity: We see heightened potential for M&A in the region. Recent deals including Saracen Minerals (SAR) acquisition of Bligh Resources (BGH), Silver Lake's (SLR) acquisition of Egan Street Resources all involve satellite deposits proximal to existing infrastructure which held strategic value for future developments. We see SAR's Thunderbox operation and SBM's Gwalia operation as potential toll treatment centres for GMD's ores. SBM's Gwalia mill currently treats <800ktpa vs its nominal design rate of 1.2Mtpa and recent reporting from the company suggests extraction rates may not reach the forecast 1.1Mtpa rates until 2021 at the earliest enhancing the opportunity for GMD.

Recommendation

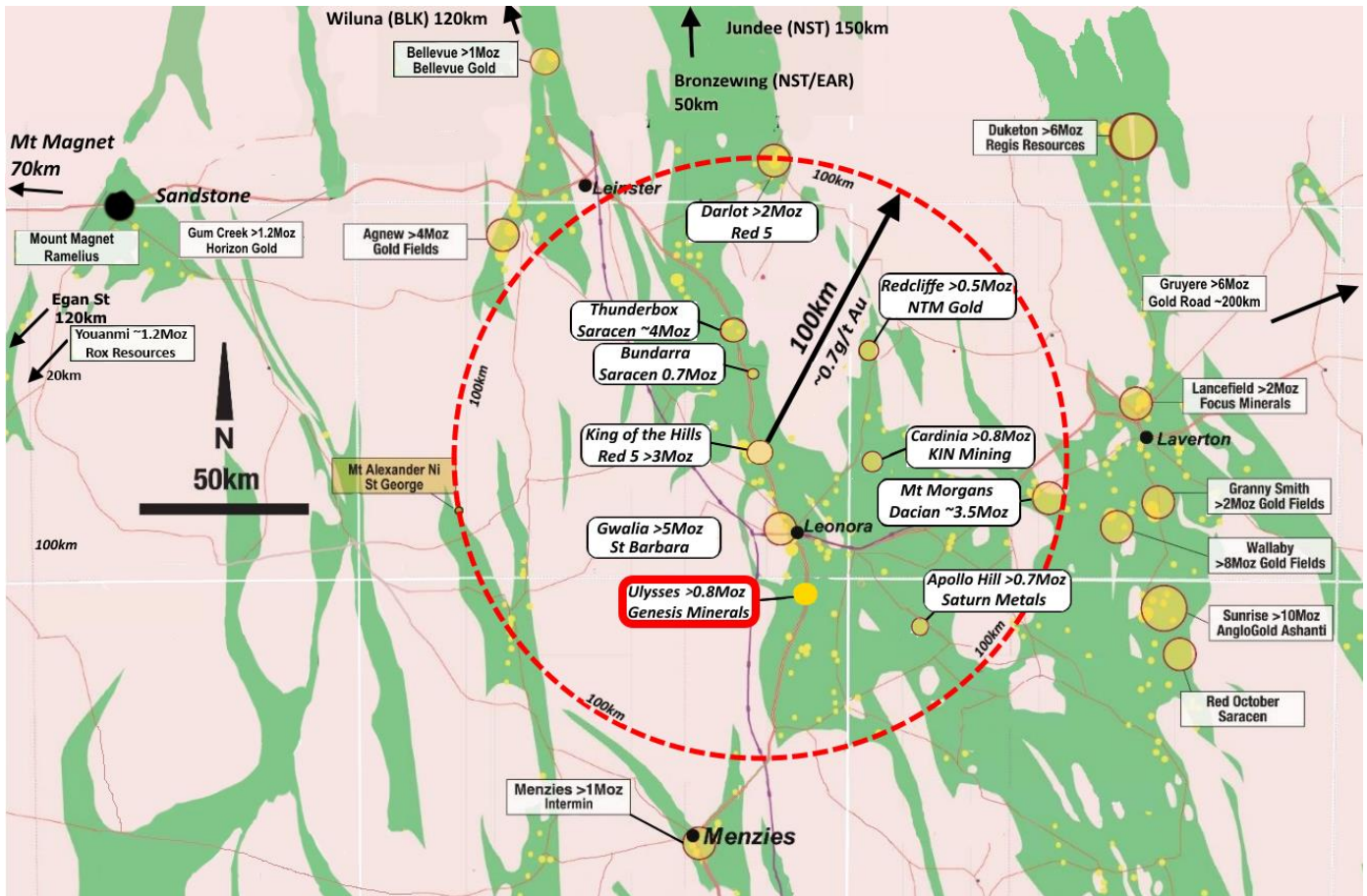
GMD's strategic location, grade and exploration upside make it an appealing M&A target. Despite this, the Company is progressing towards mining and latent mill capacity gives a potential toll treatment solution near term. Resource growth via the drill bit continues to provide value and the company remains well funded after the recent strategic placement to ALK. Speculative Buy maintained and target price of \$0.10ps.

Figure 1: Ulysses Long Section showing recent drill intercepts and intercepts outside the current mine design



Source: Argonaut

Figure 2: Western Australian Northern Gold Fields with 100km radius of M&A around Leonora



Source: Argonaut

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Important Disclosure: Argonaut acted as Lead Manager to the Placement to raise up to \$5.0M in December 2018 and received fees commensurate with this service. Argonaut holds or controls 2,343,751 GMD shares, and 10M Options exercisable at \$0.048 on or before 31 July 2020. Publishing analyst holds shares

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