

(/)

## Cash-rich gold miners turn to explorers, developers for growth

*Plus, Genesis working its way on to the M&A radar as drilling highlights gold project development potential*

📅 15th December 2017

✍ Barry FitzGerald

On face value, last week's acquisition by Bill Beament's Northern Star juggernaut of a 16.4 per cent stake in Echo Resources (80 million shares at an average price of 29c each) was no big deal.

Northern Star's Jundee mine sits at the northern end of the Yandal belt in Western Australia and Echo has its foot on the southern end, with its currently-mothballed Bronzewing treatment plant its centrepiece.

Echo has well-flagged plans to become a 100,000oz-a-year gold producer at an all-in sustaining cost of \$A1034 for the knockdown capex commitment of \$20 million, courtesy of the pre-existence of the Bronzewing plant.

And it recently delivered a reserve upgrade in support of the plan - 15.6 million tonnes at 1.7 grams of gold a tonne for 856,000 ounces – enough to support an initial 8.5 year mine life with further upside from exploration.

The new reserve estimate is being plugged into a feasibility study which is due to be released in the March quarter next year, with first production possible late next year.

Northern Star obviously harbours thoughts about consolidating the Yandal belt, with its Echo stake getting it off to a flying start, should it decide to make a bid for Echo.

A bid is certainly within Northern Star's means. At last count it was debt-free and was holding \$433m in cash. At its current share price of 29.2c, Echo would be a \$142m quarry (without applying a standard 30 per cent takeover premium).

Today's interest though is not in whether Northern Star follows up with a bid for Echo. It's about what the Northern Star move on to the Echo register tells us about the broader merger & acquisition dynamics of the gold explorer-developer sector.

Thanks to bumper margins of more than \$500 an ounce, the established gold producers are dripping with cash. So much so they need to create options on how to spend it. M&A with their peers is not on the agenda because the producers are by and large fully priced. Egos are also a stumbling block.

Short of showering shareholders with cash, the producers have turned to stepped-up exploration programs. But the cash build within the producers is at such a rate that even stepped-up programs barely make a dent in the cash piles.

So what the Northern Star move on to the Echo register says is that the producers are looking to M&A in the explorers and developers to expand their growth options. Northern Star is not alone. Newcrest and St Barbara have been active in the space as well.

All that is good news for explorers and developers, particularly where their attraction is beefed up by consolidation benefits and a known resource with camp-sized exploration upside. We're talking about establishing longer-dated options here, rather than the quick fix which a top-dollar takeover of a fellow producer could provide.

### Genesis Minerals

It's on that basis that today's interest is in an overlooked explorer-developer – Genesis Minerals (GMD). It is trading at the princely price of 3.1c for a market cap of \$23m.

The company itself is tipping significant growth in 2018 after a busy 2017.

At its Ulysses gold project, 30km south of Leonora in a neighbourhood that includes St Barbara's Gwalia cash machine and AngloGold's 10moz Sunrise operation, two small open-cut mining and toll treatment campaigns at Ulysses West (ore was trucked to the Paddington mill near Kalgoorlie) have been completed.

The cash generated has essentially made Genesis a self-funded explorer-developer for the time being, with the exploration effort now chasing down some potential high-growth opportunities for the company, particularly at Ulysses.

In September, a scoping study pointed to the potential for the development of a long-term toll-treatment underground mine at Ulysses. Later the same month, the board pushed the button on a feasibility study which will also look at a stand-alone mining operation in response to the unfolding upside of the project.

The existing resource at Ulysses stands at 2.8m tonnes grading 2.3g/t gold for 206,400oz and it can be expected to grow significantly in the next couple of months as results from a major drilling program now underway are factored in. Recent drill results have been well and truly outside of the resource area.

It is a common theme in the Eastern Goldfields. Drill below old open pits (the long gone Sons of Gwalia mined Ulysses back in 2002) and you will find more gold.

Genesis is looking to put together 250,000oz in the top 200m at Ulysses as a starter project, remembering that another four prospects clustered around the deposit which have been producing promising exploration results.

As the development story at Ulysses unfolds, Genesis has expanded its exploration footprint to include the Barimaia project on the doorstep of the 6moz Mount Magnet gold mine in WA's Murchison district.

The project is close to the Ramelius operations, on the southern end of a 200km belt of rocks that are home to a number of structurally-controlled gold deposits. McNabs is the main prospect which despite its proximity to Mount Magnet, ranks as virgin ground because of the 5-10m of cover.

It became of interest back in 2010 when a local prospector sampled the cuttings from a water bore hole and got some interesting results. Follow-up drilling back then, and by Genesis more recently, has returned some cracking results.

High hopes are held for a new drilling program which has just kicked off. Newsflow-wise, first results can be expected when we are all back from the beach in late January. Like Ulysses over at Leonora, there are plenty of miners active in the area that will take notice should McNabs come up with the goods.

#### Subscribe to the RRS Weekly Wrap (/subscribe-rrs-communications)

[View All \(/news\)](#)

[FitzGerald \(/news-filter/fitzgerald/all\)](#)

[Prospector's Diary \(/news-filter/prospectors\\_diary/all\)](#)

[Market Insights \(/news-filter/market\\_insights/all\)](#)

[Company News \(/company-news\)](#)

[RRS TV \(/rrs-tv\)](#)



## Author Bio

### Barry FitzGerald

Barry FitzGerald has covered the resources industry for 30 years. The inaugural winner of the Diggers & Dealers Media Award in 2003, Barry is a committee member of the Melbourne Mining Club, a non-profit organisation formed to foster industry debate.

## Share Article

### Recent Tweets

@RR\_Stars

Stavely, market encouraged by Thursday's Gossan - <http://MiningNews.net> (<https://t.co/sSOW7ZiyRv>)  
<http://www.miningnews.net/exploration/discovery/stavely-market-encouraged-by-thursdays-gossan/#.Wm69II-9NUg.twitter> ... (<https://t.co/FzbY6LVjz2>)

2h

↩ ([https://twitter.com/intent/tweet?in\\_reply\\_to=957860945497174019](https://twitter.com/intent/tweet?in_reply_to=957860945497174019)) ↪ ([https://twitter.com/intent/retweet?tweet\\_id=957860945497174019](https://twitter.com/intent/retweet?tweet_id=957860945497174019)) ❤ ([https://twitter.com/intent/favorite?tweet\\_id=957860945497174019](https://twitter.com/intent/favorite?tweet_id=957860945497174019))

 Sign up for latest news