



Resources

Genesis unveils big increase in its WA gold resources

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Special report: WA gold explorer Genesis Minerals (ASX: GMD) has well and truly surprised on the upside this morning, unveiling a 137 per cent increase in the gold resource inventory at its flagship Ulysses gold project in Western Australia to 760,000 ounces.

The well-flagged resource upgrade comes after months of intensive drilling at the project which the company says has taken it a key step closer to its goal of becoming a “substantial new gold miner”.

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The resource, which now totals 7.1 million tonnes at 3.3g/t, represents an increase of 439,000 ounces over the 320,000-ounce Resource announced in February this year.

Importantly, the higher-confidence Measured and Indicated component of the resource is up by 162 per cent to 471,000 ounces and the resource also contains a high-grade component of 4.1 million tonnes at 4.7g/t for 628,000 ounces.

Genesis Managing Director Michael Fowler said drilling this year alone had added almost half a million ounces to the resource inventory, with the company having now grown the resource from 138,000 ounces to 760,000 ounces since acquiring it three years ago.

“This is a pretty outstanding result, particularly when you consider its location immediately adjacent to the Great Northern Highway and just outside the regional mining centre of Leonora,” he said.

“This is a project that ticks virtually every box in terms of grade, location and scale – it’s turned out to be a really strategic asset for us.”

Genesis initially mined the Ulysses open pit on a toll-treatment basis, carting the ore to the Paddington plant near Kalgoorlie for processing.



However, after recognising the broader potential of the mineralisation sitting below the historical open pits, it turned its hand to a much bigger exploration program targeting the high-grade shoots at depth – with stunning results.

“We now have a much better understanding of the geometry and controls on the mineralisation – particularly the significance of the high-grade shoots within the overall Resource,” Fowler said.

“This is typical of many West Australian gold systems and shows the enormous value that can be created through a focused and well thought-out exploration program.”

Genesis believes it can continue to grow the Resource, which remains open along strike to the east and west, as well as down-plunge with ongoing drilling programs.

“Our strategy now is to continue drilling to grow the Resource inventory at Ulysses over the coming months in parallel with feasibility work, which is already well underway,” Fowler said.

“We believe that having a two-pronged strategy of growing our Mineral Resource inventory towards the one-million-ounce mark and beyond, while at the same time crystallising the value of the project for shareholders through a Feasibility Study, is the best strategy for the Company moving forward.”

Genesis’ big resource upgrade is likely to put the company on the radar of acquisitive gold mining companies operating in the district, particularly against the backdrop of accelerating M&A activity in the junior gold sector.

Earlier this year, Argonaut Securities’ analyst James Wilson said he believed Genesis was a potential M&A target for either a satellite operation or for a standalone project.

“Extensional drilling is continuing to systematically test depth and strike extensions to the Ulysses Resource,” he said.

“We continue to believe the resource potential at Ulysses will exceed 750koz as further drilling is carried out.

“At current prices and given its proximity to the Gwalia mine and or other producers we believe GMD is a potential M&A target for either a satellite operation or for a standalone project.

“We expect further resource upside as deeper drilling is carried out as part of the aggressive drill program going into the 2HCY18.”

In a more recent note, Wilson said: “Recent drilling has doubled the down-dip extent of the known mineralisation and thus Argonaut sees a read through for +600koz in the next resource upgrade which would imply an EV/Resource of \$57/oz (for the resource only, implying no exploration upside) which remains materially under-valued compared to its peer group and recent M&A transactions.

“Ultimately, we see Ulysses resource growth read through to >1Moz Au.”

Argonaut has a Speculative Buy recommendation on Genesis with a 10cps price target, more than double its current price of 3.8c.

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