



Mining

Genesis an “appealing” M&A target, says analyst

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***Special Report:* Junior gold developer Genesis Minerals (ASX: GMD) could be on the radar of several bigger gold miners for either toll-treatment or M&A opportunities, as consolidation activity continues to hot up in the junior gold space.**

That’s the view of leading Perth-based resource analyst James Wilson from Argonaut Securities, who says the strategic location, grade and exploration upside of the company’s flagship 760,000oz Ulysses deposit near Leonora in WA make it an “appealing” M&A target.

“We see heightened potential for M&A in the region,” Wilson said in a new note on Genesis, in which he places a Speculative Buy recommendation and 10c price target on the stock (currently trading at 3.2c).

Genesis recently attracted successful NSW gold miner **Alkane Resources (ASX: ALK)** as a "big brother" and 15 per cent cornerstone shareholder as part of a \$7.5 million capital raising, meaning it is well funded to progress drilling at the Ulysses deposit, located just outside the regional mining centre of Leonora.

But Wilson believes Genesis could also be on the menu of a number of bigger miners operating in the Leonora region.

"Recent deals including Saracen Minerals' acquisition of Bligh Resources, Silver Lake Resources' acquisition of Egan Street Resources all involve satellite deposits proximal to existing infrastructure which held strategic value for future developments," Wilson wrote.

"We see Saracen's Thunderbox operation and St Barbara's Gwalia operation as potential toll-treatment centres for Genesis' ores.

"St Barbara's Gwalia mill currently treats less than 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."



Recent drilling "in-filling value" at Ulysses

Genesis recently launched a 20,000m in-fill and extensional program at Ulysses targeting an initial 1000m of strike and 300m down-dip, to in-fill and extend the current resource of 7.1Mt at 3.3g/t for 760,000oz.

"Numerous high-grade results have been reported, which continue to show the continuity of the high-grade mineralised lodes within the orebody," Wilson says.

"The drilling program is aimed at increasing the confidence of Resources in the top 200m in preparation for mining, with three rigs now operating as part of the in-fill and extension program."

Earlier this week, Genesis announced another batch of spectacular high-grade results from the program, including best assay results of 6m at 10.23g/t from 154m, 4.52m at 9.71g/t from 145m, 5.46m at 10.71g/t 229m, 2.0m at 28.76g/t from 188m and 1m at 33.86g/t from 103m.

The new results are expected to underpin an updated Resource in Q4 of this year.

"Numerous results in the recent release show mineralisation outside of the previous underground mine design," Wilson said.

"GMD trades on undemanding metrics of EV/Resource of \$50/oz vs the sector average EV/Resource of >\$100/oz and the recent Silver Lake takeover of EGA at \$114/oz."



Recent Drilling at Ulysses (Supplied).

“Prudent” strategy puts GMD in good strategy to add value

Wilson concludes that Genesis’ approach is 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 the potential to commence a low-cost start-up operation near term.”

“GMD’s strategic location, grade and exploration upside make it an appealing M&A target,” he wrote.

“Despite this, the Company is progressing towards mining and latent mill capacity gives a potential toll-treatment solution in the near term.

“Resource growth via the drill bit continues to provide value and the company remains well-funded after the recent strategic placement to Alkane.”

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