

RESOURCE OPPORTUNITIES

Independent Research for Junior Mining Profits

Genesis Metals drills for high-grade gold in Quebec

By James Kwantes
Resource Opportunities

For veteran speculators, the latest hits to junior mining share prices feels like deja vu all over again. Sentiment is gloomy and market capitalizations are depressed. But gold in U.S. dollar terms is still up more than 25% year-over-year. And US\$1,500 gold translates to more than \$2,150 Canadian, an exceptional price for Canadian projects whose expenses are measured mostly in loonies.

Gold producers that deplete their reserves with every shift and every scoop still rely on junior exploration companies to find the deposits that will replenish their ore. Most juniors, meanwhile, had yet to respond even BEFORE the Coronavirus corrections -- which has further pummelled the sector. Expectations are very low, along with share prices.

For exploration companies with strong management and backing, a flush treasury and potential for high-grade discoveries, it's not a bad setup. **Genesis Metals (GIS-V, GGISF-OTCQB)** fits the bill. The Discovery Group company has \$3.5 million in the treasury to drill its flagship Chevrier project in Quebec's Chibougamau mining district. Chevrier is located in the eastern portion of the prolific Abitibi Greenstone Belt (180M oz of historical gold production).

Genesis is drilling an initial 2,500 metres (10 holes) at Chevrier, part of a planned 8,000-metre drill program this year. The initial program is designed to tap into high-grade shoots within the Chevrier Main zone deposit, expanding the higher-grade domain. Genesis's market cap of about \$7.9 million is backstopped by existing gold resources at Chevrier totalling 395,000 ounces Indicated grading 1.45 g/t Au and 297,000 ounces Inferred at an average grade of 1.33 g/t, at the Chevrier Main and East zones.

The company has already identified high-grade areas within the deposit -- assays announced on January 22, 2018 included 8.73 g/t over 21.35 metres and 4.26 g/t over 19.4 metres at the Main Zone. But those results went unappreciated with gold trading at US\$1,330 an ounce on its way down to \$1,200. Later this year, Genesis plans to test targets elsewhere on the 295-sq-km property that were identified through last year's property-wide glacial till survey.

Overseeing the exploration program is new CEO David Terry, an economic geologist who was appointed President and CEO on Dec. 2, 2019 (Jeff Sundar remains as Executive Director). Terry obtained a PhD in Geology from Western University in Ontario. He's also well-schooled in the vagaries of bull and bear market mining cycles, through decades in the industry running projects -- both large and small -- for majors and helming explorecos. Terry is currently a director of several active exploration companies including Golden Arrow Resources, Aftermath Silver and Great Bear Resources. Great Bear, also a Discovery Group company, is drilling high-grade gold along kilometres of strike at its Dixie project in Red Lake, Ontario.

For Terry, the Great Bear directorship is a kind of return to Red Lake. His first summer job in exploration included mapping and sampling in the prolific district for a large mining company called Goldfields while he attended Western in the 1980s. He later worked for several years as a contract geologist with Cominco (which sponsored his PhD thesis) in Alaska, followed by a stint with Hemlo Gold exploring back in the Abitibi.



Economic geologist David Terry, the Genesis CEO, on site at a project in San Juan, Argentina.

After obtaining his PhD, Terry worked for Westmin Resources then Boliden, as a geologist and project manager. When Boliden exited Canada with the mining sector in a post Bre-X slump, Terry took a position as a Regional Geologist for the B.C. Geological Survey in southeastern B.C. for three years. He spoke at the closing ceremony for Teck's legendary Sullivan mine, which operated for nearly a century and produced 160 million tonnes grading 12% zinc/lead and 67 g/t silver. Since 2004 he has worked in management, director and advisory roles with a number of juniors exploring and advancing precious and base metal projects in both North American and a number of Latin American countries.

Terry joined the Great Bear board in July 2016, before the Dixie project was the company's flagship. Great Bear's mineralized LP fault is now recognized as one of the best gold discoveries of recent years, globally. But Terry remembers when the team operated in relative obscurity, with GBR shares trading for dimes not dollars.

For Genesis, adopting a go-slow approach in 2019 laid the groundwork for an active 2020. Instead of drilling in the depths of a bear market, former President and CEO Jeff Sundar built out the team and raised a war chest. Genesis joined the Discovery Group of companies and added principals John Robins and Jim Paterson as strategic advisors. The Discovery Group has an impressive record of wins in recent years, including the \$520-million sale of Kaminak Gold to Goldcorp and the \$117-million sale of Northern Empire Resources to Coeur. Rob Carpenter, the Kaminak co-founder and former CEO, also came on as a strategic advisor.

Genesis's successful financings were done in conjunction with a 5-for-1 share consolidation and the appointment of Terry as CEO. Rollbacks have a bad reputation -- and rightly so -- but consolidations done in conjunction with management changes and large financings can set the stage for success. Great Bear is another example of a successful rollback, its tight share structure helping to propel the stock post-discovery.

Chevrier is located in a prolific district of high-grade gold resources. Directly to the southwest is the Monster Lake gold discovery, where JV partners IAMGOLD and TomaGold have identified an Inferred resource of 433,000 ounces at 12.14 g/t gold. At the Nelligan project further southwest, Vanstar has delineated 3.1 million ounces of gold (Inferred) at about 1 g/t and last year hit 6 metres grading 56.46 g/t Au. IAMGOLD recently increased its interest to 75%.

South of Chevrier, the Joe Mann gold mine produced 1.2 million ounces of gold at 8.26 g/t, as well as silver and copper. Infrastructure is excellent at Chevrier: a highway and power line runs through the property and the regional airport is a few minutes drive to the north.

With Discovery Group backing, a strong management and technical team, and a full treasury to drill high-grade gold targets at Chevrier, Genesis has laid the foundation for success. And high-grade gold discoveries get rewarded by the market, even in these tumultuous times for juniors.

Genesis Metals (GIS-V)**Price:** 0.18**Shares outstanding:** 43.76 million (59M fully diluted)**Market cap:** \$7.9 million

***Disclosure:** James Kwantes owns Genesis Metals shares and Genesis is one of three Resource Opportunities sponsor companies. Genesis is a speculative, high-risk exploration stock that may not be suitable for all investors. This article is not intended as financial advice and all investors should conduct their own due diligence and/or consult an investment advisor.*