

Chevrier Gold Project: A New District-Scale Start With Lots Of Upside For Genesis Metals



Chevrier Gold project

1. Introduction

Being established at the peak of the last precious metals bull market as its predecessor Entourage Metals, junior explorer Genesis Metals didn't have the easiest of times to make a name for itself. Despite a set of very prospective claims and a very experienced team of well-known geologists, things went south during the bear market as significant new discoveries couldn't be made at the time.

After Entourage Metals acquired Tawsho Mining on March 1, 2016, in an all-equity deal, they received ownership of the Chevrier Gold project in Quebec, and changed their name into Genesis Metals, effective on March 2, 2016, as they became a different company with a much more advanced asset. The Chevrier Gold project is the current flagship project of Genesis Metals, and albeit with a small resource, there is a lot of potential to expand this into something substantial. New capital is being raised at the moment, and new drill- and exploration programs will start soon, aiming at significantly improving the understanding of Chevrier. And this is just the beginning.

All presented tables are my own material, unless stated otherwise.

All pictures are company material, unless stated otherwise.

All currencies are in US Dollars, unless stated otherwise.

2. The company

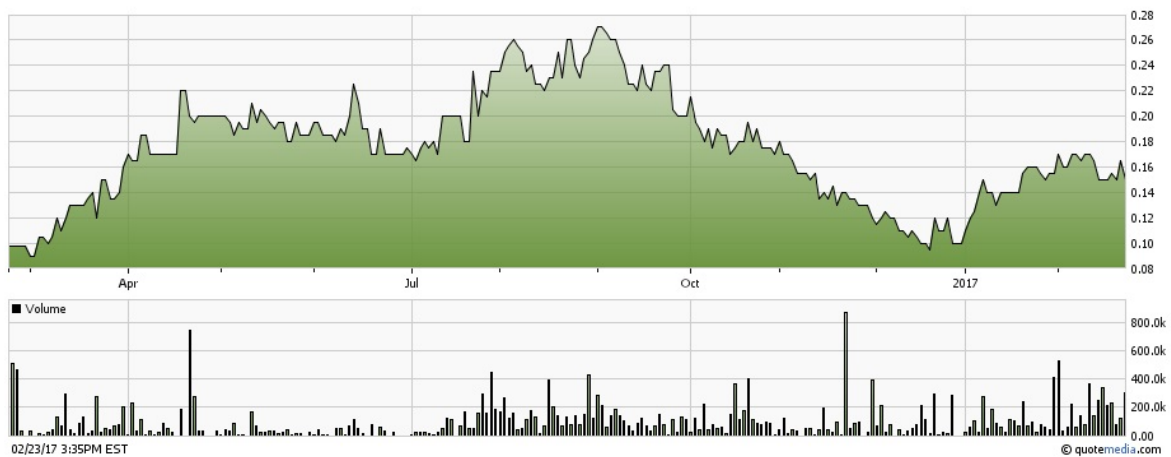
Genesis Metals is a Canadian exploration and development company focused on creating shareholder value through advancing gold projects in Quebec and Ontario. The company is developing a new geologic model for its fully owned flagship Chevrier Gold deposit in Chibougamau, Quebec, and is determining a strategy for the fully owned October Gold property in Ontario, located in the vicinity of, and on trend with Goldcorp's Borden Lake deposit and IAMGOLD's Cote Lake deposit.

The management team has Brian Groves at the helm, who has several decades of experience ranging from exploration to project development, and from capital markets to corporate strategy at major companies like AMAX Minerals, Noranda and Placer Dome, but also served over 13 years as a CEO for two TSX Venture companies. Standout asset for Genesis is the very strong geologist team, consisting of Executive Director Adrian Fleming, and Chairman Rob McLeod (currently CEO of IDM Mining), both instrumental in discovering and advancing the White Gold deposit of Underworld Resources. Executive VP and long-time ex-CEO Jeff Sundar also has a long history with Underworld Resources, so it looks like a reunion of sorts. Adding to this is former management team member and director John Florek, a former prominent geologist with Barrick Gold.

Genesis Metals has its main listing on the main board of the TSX Venture, where it's trading with GIS.V as its ticker symbol. With an average volume of in excess of 135,000 shares per day, the company's trading pattern is quite liquid, which makes it easier for investors to get in or out, and reduces the aggressive volatile share price moves you sometimes see with less liquid companies.

Genesis Metals currently has a pretty tight 45.59M shares outstanding (fully diluted 60.38M), 10.6M warrants (the majority is due @C\$0.20 or more, of which 5.7M warrants @C\$0.20 expiring on March 21, 2018) and several option series to the tune of 4.175M options in total, which gives it a market capitalization of C\$6.84M based on yesterday's share price of C\$0.15. When the C\$600k financing will be closed, which is any moment now, Genesis Metals will have a working capital position of about C\$900k.

Charting for Genesis Metals Corp



Share price; 1 year *time frame*

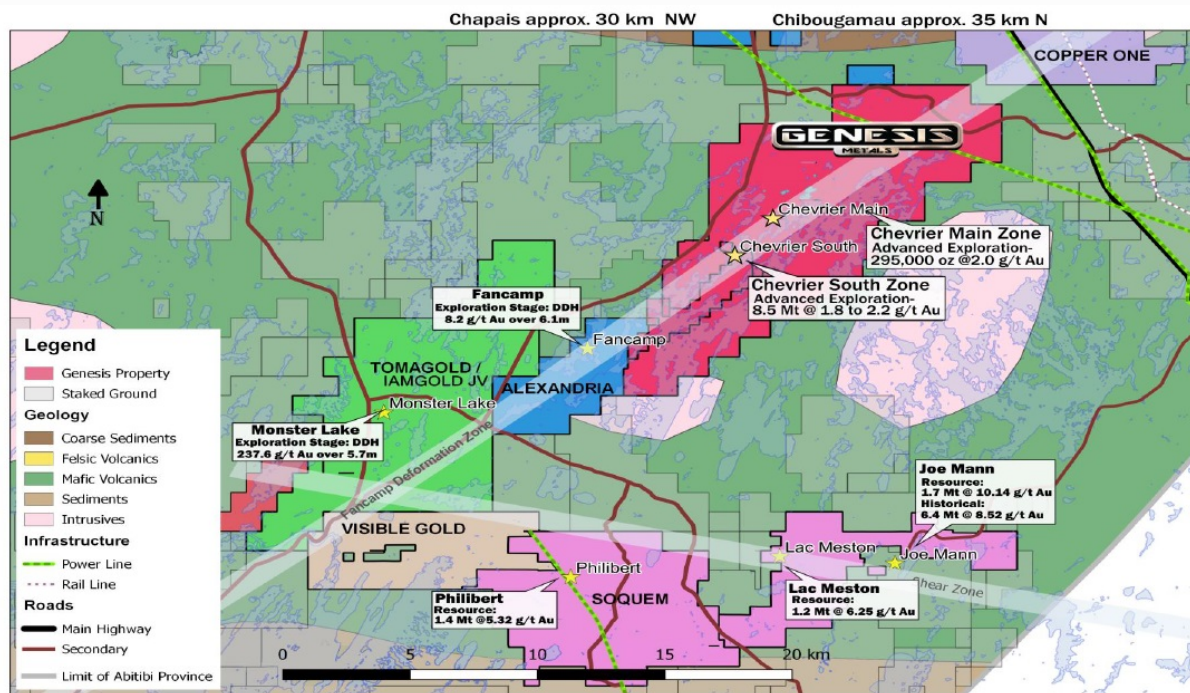
After enjoying the benefits of a higher gold price, a new asset and new plans for 2016, the share price almost tripled in 2016, only to give back all gains when gold went down again, and arrive at the same lows again at the peak of tax loss selling season (mid December). Since then gold ran up again and Genesis Metals is getting ready for the next phase of exploration (drill programs), which will be after the raising of cash and finishing geologic modelling, the share price already recovered a bit. Solid drill results and an updated resource estimate according expectations should be able to move things considerably, as the current market cap is tiny, and the structure is tight.

3. The projects

Genesis Metals has two projects in very mining friendly jurisdictions, the Chevrier Gold project in Quebec, which is the flagship project, and the October Gold project in Ontario. The focus of my attention will be at Chevrier of course, but the other project will be discussed briefly too as it isn't insignificant.

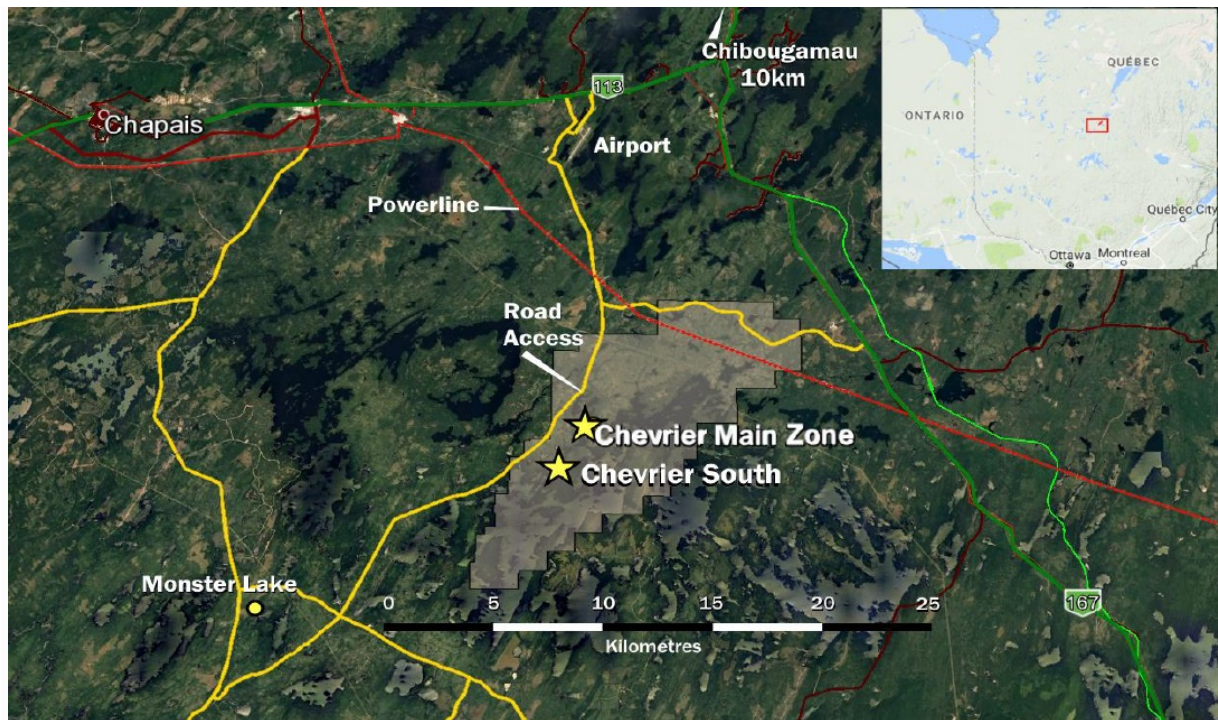
A. Chevrier Gold project

The Chevrier Gold project is located in the very prolific Abitibi Greenstone Belt, which has seen over 170Moz of gold production until now, and is host to some of the largest gold mines of Canada, like Canadian Malartic and Detour Lake. The Chevrier land package consists of 95 square kilometers approximately 35 kilometers South West of Chibougamau, which has an airport and highway. The property consists of 557 mostly contiguous claims covering 9,542 hectares, and Genesis holds 100% interest in 515 of them. Nine other claims were [acquired](#) on February 2 of this year. The Chevrier and Chevrier South gold deposits are hosted in the Fancamp Deformation Corridor, not too far from IAMGOLD's Monster Lake discovery. Chevrier has been explored since 1950, by Teck, which completed the first drill holes on the project. Not until drilling was performed in the 1980s was the Chevrier deposit discovered, in 1988, and the Chevrier South deposit in 1992.



Chibougamau Mining District; Fancamp Deformation Zone

The property has ideal infrastructure with direct road access, and a powerline runs within the claim boundaries, so the cheapest power of Canada (a huge advantage of Quebec, besides a 25% tax refund on exploration costs) comes at no additional costs, and road construction isn't necessary either. According to management, the current roads serve well for exploration, and wouldn't even need a modest upgrade in case construction would start, as there currently is a three lane gravel road in excellent condition. Connecting to the power grid including a substation would be very cheap here, probably in the range of C\$5-10M depending on exact location, capacity etc.



Chevrier Gold project; location/infrastructure

The Chevrier project as a whole has been defined by 87,018m of diamond drilling (an estimated 316 holes as the number of holes in 1951 and 1993 is unknown). The Chevrier Main Zone deposit was delineated by 45,321 m of drilling and 150 diamond drill holes at 25m- and 50m spacing, and surface exposures, whereas the Chevrier South has been delineated by just 10,146m of drilling and 19 drill holes, at 50m- and 100m spacing. Both deposits are known to extend over a strike length of about 1.1 km.

The gold mineralization of Chevrier is associated with quartz-carbonate veins and disseminated pyrite chiefly hosted in gabbro and felsic porphyry units. The Chevrier South mineralization is similar, but for a concordant pyrite envelope, and a host predominantly represented by tuff and intermediate to felsic volcanic rocks. The Main Zone contains 5-20% pyrite, which could be an issue above 10%. the South Zone has 1-3% higher overall pyrite content. According to the company, the pyrite percentage doesn't have the magnitude to create difficulties for gold recoveries, but this will be defined further when doing the necessary met work (met = metallurgical). According to the latest 2010 NI43-101 report, bottle roll cyanidation testing in 1998 by renowned firm Lakefield returned on average a 97-98% recovery, which is very good, and confirms the view of management.

The strong alteration is an indicator of the presence of mineralization, as gold mineralization actually is the cause of alteration of rocks.

The former owner of Chevrier had the aforementioned 2010 NI43-101 compliant resource estimate completed by Met-Chem, which generated an Inferred resource of 4.6Mt @1.99g.t Au > 295koz gold for the Chevrier Main Zone deposit. Remarkably, Met-Chem also came up with a 3D model for Chevrier South, which allowed an estimate of a tonnage and grade of mineralized material potentially present at Chevrier South, but no ounces of gold: 8.5-9.0Mt @1.8 -

2.2g/t Au. I don't recall seeing this, but of course this doesn't stop me from doing my own unofficial estimate using midpoints 8.7Mt @2.0g/t Au, resulting in a hypothetical 559koz of gold for the Chevrier South deposit. Both deposits together would add up to a hypothetical 854koz Au, and most of it is within reach of an open pit operation, so the average grade seems to be economic, as often open pit operations comparable to this (still hypothetical) project are already economic at 1.2-1.4g/t Au. The Chevrier deposit, or Chevrier Main Zone deposit since Genesis bought it from Tawsho, is open to the north and at depth. As Chevrier South or the Chevrier South Zone hasn't been delineated enough yet, nothing can be said with certainty about the resource, let alone eventual extensions of mineralization:

"The study by Met-Chem of the data related to the Chevrier deposit confirmed the complex geometry of the mineralized zones and indicated a general lack of geological and grade continuity of the mineralization. Met-Chem found that a better continuity of the mineralized structures is exhibited in a series of plan projections of the 3D model than in vertical cross sections, which is a signature attributable to steeply plunging mineralized shoots."

Met-Chem also recommended to re-assay samples, collect more samples, re-log drill cores, and do new drilling, after performing a very global economic study had indicated potential economic viability of Chevrier. Genesis Metals has already done a lot of re-assaying, re-sampling, re-logging and re-trenching in 2016, with good results.

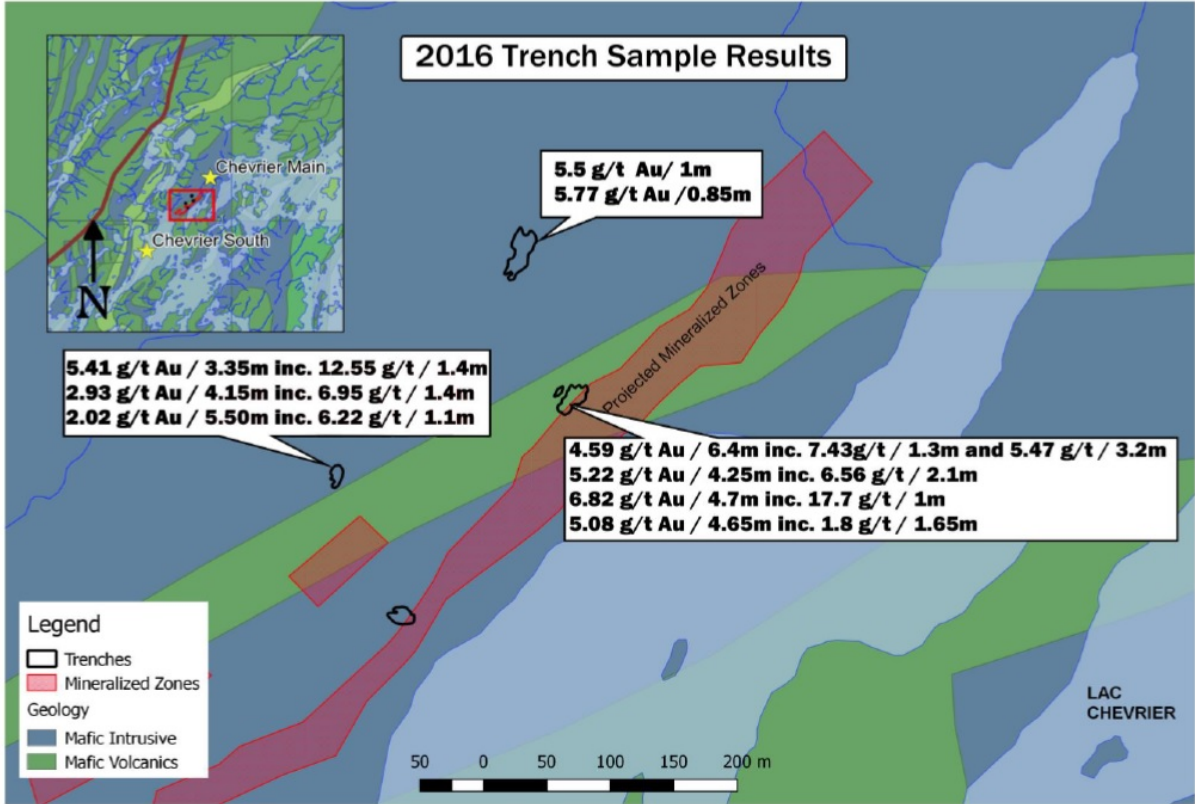
What fascinates me after reading the technical report on the historic resource estimates is the considerable difference in estimated amounts of gold ounces, compared to the 295 koz Au estimate of Met-Chem. Inmet and Geonova both came up with considerably higher estimates for the Main Zone, based on 40,000-45,000m of drilling at the time:

| | Mineralized intervals | Trenches | Parameters | Cut-off (g/t Au) | Tonnes | Grade (g/t Au) | Oz Au (1,000) |
|--------------------|-----------------------|----------|----------------------------|------------------|------------|----------------|---------------|
| | | | Minimum Width; Density (d) | | | | |
| Inmet, 1991 | 35 | 2 | width : 2 m; | 1.0 | 8,306,000 | 2,28 | 609 |
| | 19 | 2 | d=2.8; | 3.0 | 2,090,000 | 5,01 | 337 |
| Géonova, Feb. 1997 | 120 | | width : 2 m; | 1.0 | 13,353,000 | 2,41 | 1,035 |
| | | | d=2.8; | 3.0 | 3,413,000 | 5,33 | 585 |
| Géonova, Oct. 1997 | | | width : 2 m; | 1.0 | 14,543,000 | 2,43 | 1,136 |
| | | | d=2.8; | 3.0 | 3,733,000 | 5,42 | 650 |
| Géonova, Aug. 1998 | 258 | 5 | no minimum; d=2.9 | 1.0 | 12,606,000 | 2,72 | 1,102 |
| | 96 | 4 | width :1.50m; d=2.9 | 3.0 | 3 563 321 | 5,10 | 584 |

Historic resource estimates for the Chevrier Main Zone

The geologists of Genesis Metals have seen these reports, and fully acknowledge the fact that the geology is complex, but have a hard time believing that so much gold apparently has disappeared by using different modelling by Met-Chem. Therefore, they are determined to contemplate different, NI-43-101-compliant modeling of their own, to see if they can indicate more of those lost

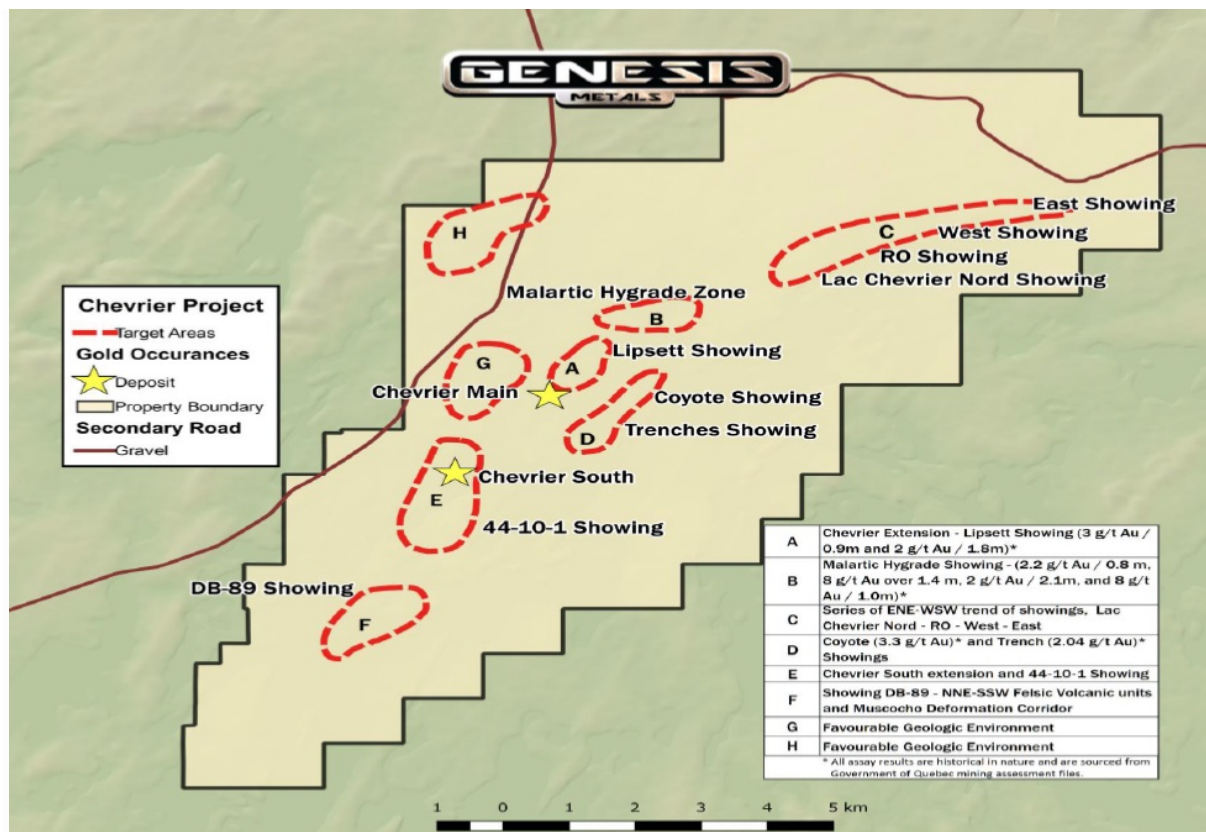
ounces in the 3D model being constructed at the moment. After this model is finished, it will generate drill targets, which in turn will provide confirmation in reality. Confirmation was also needed with trenching as mentioned, as this also wasn't QA/QC compliant. Despite this, the *quality* of the historic trenching was excellent, and hardly deviated from the 2016 work. Because of this and other indications, management has a lot of faith in the work done for the historic estimates.



Chevrier mineralized zone; trench sampling

When looking at this picture, management got the impression of a possible second, parallel trend to the west, and this is one of the targets that will be tested this year. As the South Zone isn't too far away from the Main Zone, I immediately thought of testing a possible connection between those two zones, via the already established mineralized zones or this possible parallel trend, and I'm curious if this could be the case in the future.

Something else that came up when the company was doing extensive research on the property, were core shacks with unidentified cores. It appeared that those didn't belong to the Main or South Zone. After some detective work, the labels led the geologists to the government database for 53 drill collar locations, and most cores could be assigned this way. As these locations were East of the Main Zone, and the corresponding drill results were significant, management dubbed this area the East Zone, and it is the third most important target area (see area C):



Chevrier project; target areas

Management told me the historic East Zone drill results will be published soon for everyone to see. These are actually publicly available in the government database, but this isn't widely known among investors, so I can't use any of those results in this article, unfortunately. The same goes for yet undisclosed drill results of the South Zone. When looking at the target area map, it appears Genesis Metals could be facing a real district-scale play in the making, having 7 distinct targets spread out over a 12km trend, following the Fancamp Deformation Zone. Interesting.

Besides this, Met-Chem didn't have an easy job to determine the geological make-up of the Main Zone, as can be witnessed in the report at p.78 onwards:

"The vertical cross sections cutting the 3D model confirmed the poor continuity of the structures and of grade in the Chevrier deposit. However, the continuity improved when the 3D model was sliced with horizontal planes. The structures occurred, in plan view, as discrete zones interrupted by gaps in gold values on drill sections at regular intervals.

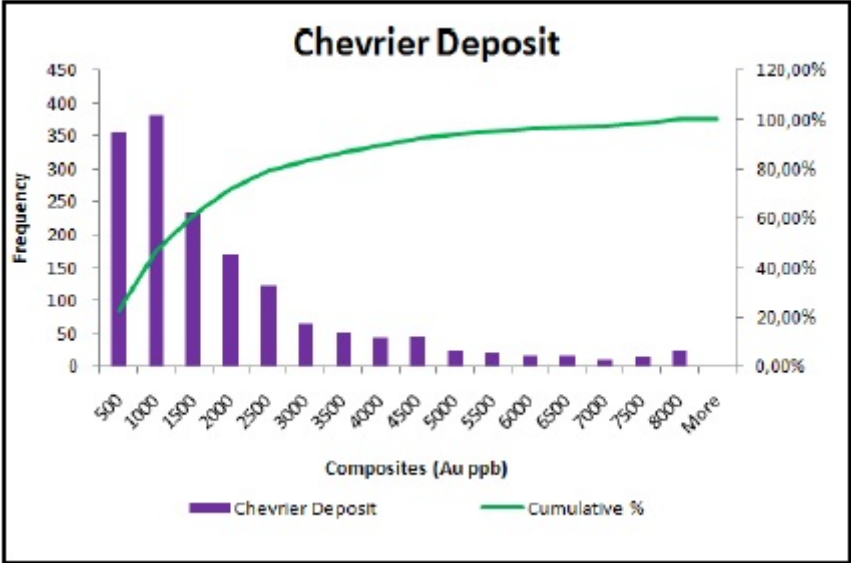
This map pattern strongly suggests that the horizontal planes are closer to normal to steeply plunging mineralized shoots of short strike length. This geometry partially accounts for the difficult hole-to-hole correlations seen on vertical sections cutting steeply plunging zones of short lateral extension. Looking at the deposit in longitudinal view was not possible, since the Chevrier deposit is made up of a complex system of subparallel zones.

The interpreted geometry of the mineralized zones suggests the presence of a series of sub-vertical mineralized shoots with short strike lengths related with the fold noses of the re-folded fold interpreted by Met-Chem. This interpretation is confirmed by the study completed by Murgor on the adjacent property that indicated a clear relationship between the fold hinges and the gold mineralization (Press Release of September 24, 2009).

As an alternate interpretation, the discontinuous and persistent mineralized structures might be accounted for by long-lived mineralizing event. The early stage mineralization would have been disrupted and contorted by subsequent tectonic events, whereas later in the history, the mineralizing fluids were injected into newly-formed shears that escaped deformation. However, Met-Chem believes the control on mineralization by folds is more likely, considering the short lateral continuity of the shoots.

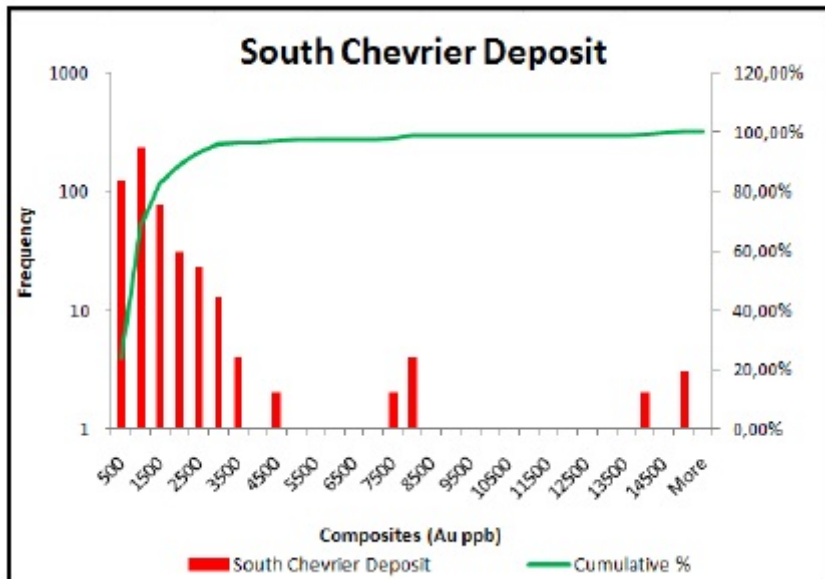
The Chevrier deposit consists of several sub-parallel, steeply dipping, generally narrow mineralized zones. Met-Chem decided to apply a minimum mining width of 1.5 m to draw the envelope, since this corresponds to the minimum width used in the underground mining of steeply dipping, narrow vein gold deposits in the Abitibi region. The mineralized zones were defined by envelopes generated by gold grade contours at 0.50 g/t Au cut-off. Even though this value is below the cut-off grade evaluated at 1.0 g/t for an open pit and 4.0 g/t Au for an underground operation, it was used to draw the envelopes to counter the general lack of continuity and facilitate the generation of the mineralized envelopes."

As mentioned, management and its geologists aren't convinced that Met-Chem used the right concept in order to capture economic mineralization. For example the cut-off grade of 1.0g/t might be arbitrary for this deposit, as a lower cut-off grade (like for example 0.5-0.7g/t) might generate an economic deposit as well. Using a lower cut-off grade would probably have a significant positive impact on the number of ounces, as a lot of assays are low grade:



Chevrier Main Zone deposit; distribution of gold in ppb (1000ppb = 1g/t)

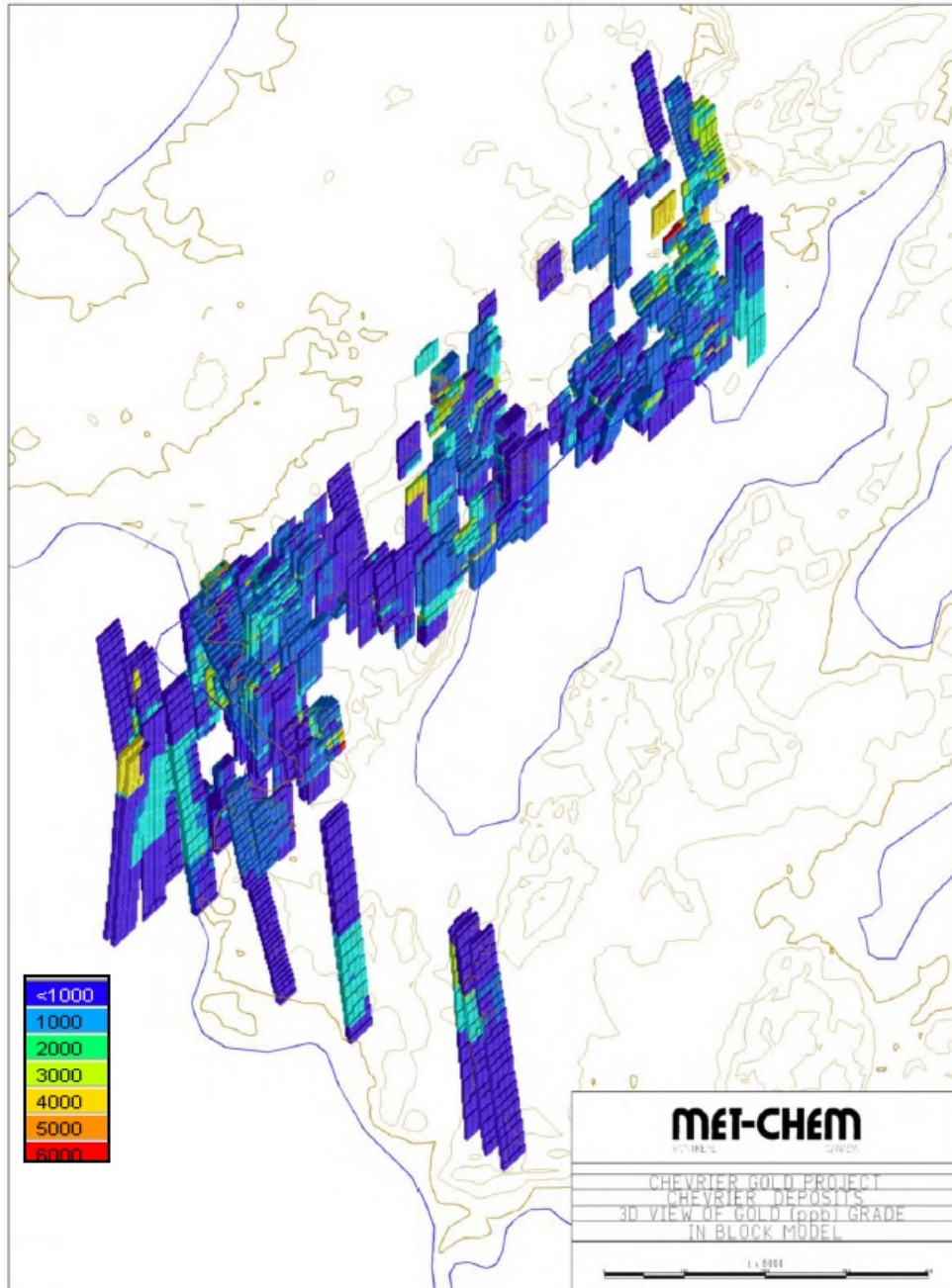
And:



Chevrier South Zone; distribution of gold in ppb (1000ppb = 1g/t)

So where most companies have been looking into high grading their deposits, Genesis might actually look at low grading here.

There is no doubt as mentioned that the deposit is complex, as the schematic 3D model of Met-Chem shows:



Main Zone; 3D block model

As the deposit seems to be made up of numerous vertical ore shoots starting from surface and continuing at depth until at least at 350m below surface, an open pit operation seems possible, at least starter pits in combination with an underground operation. The picture indicates that the deposit is for a small part located under a shallow lake, which will require a small, simple coffer dam. This all depends on the further delineation of the deposit and the resulting amount and grade of course, and management believes too little is known to exclude options yet, like Met-Chem already seems to do in the report:

"Met-Chem estimated all the resource present to 250 m below surface at the cut-off of 1.0 g/t Au. Indeed, the tonnage present above -250 m that can be defined using a cut-off of 4.0 g/t Au is too limited to anticipate an underground mining operation. However, it can reasonably be assumed that the resource below the

bottom of the open pit could be mined at a minimum grade of 4.0 g/t Au. Met-Chem estimated the tonnage present below a depth of 250 m using a cut-off of 4.0 g/t Au to be negligible.

Consequently, all the resource for the Chevrier deposit has been estimated by Met-Chem to a depth of 250 m below surface and using a cut-off grade of 1.0 g/t Au."

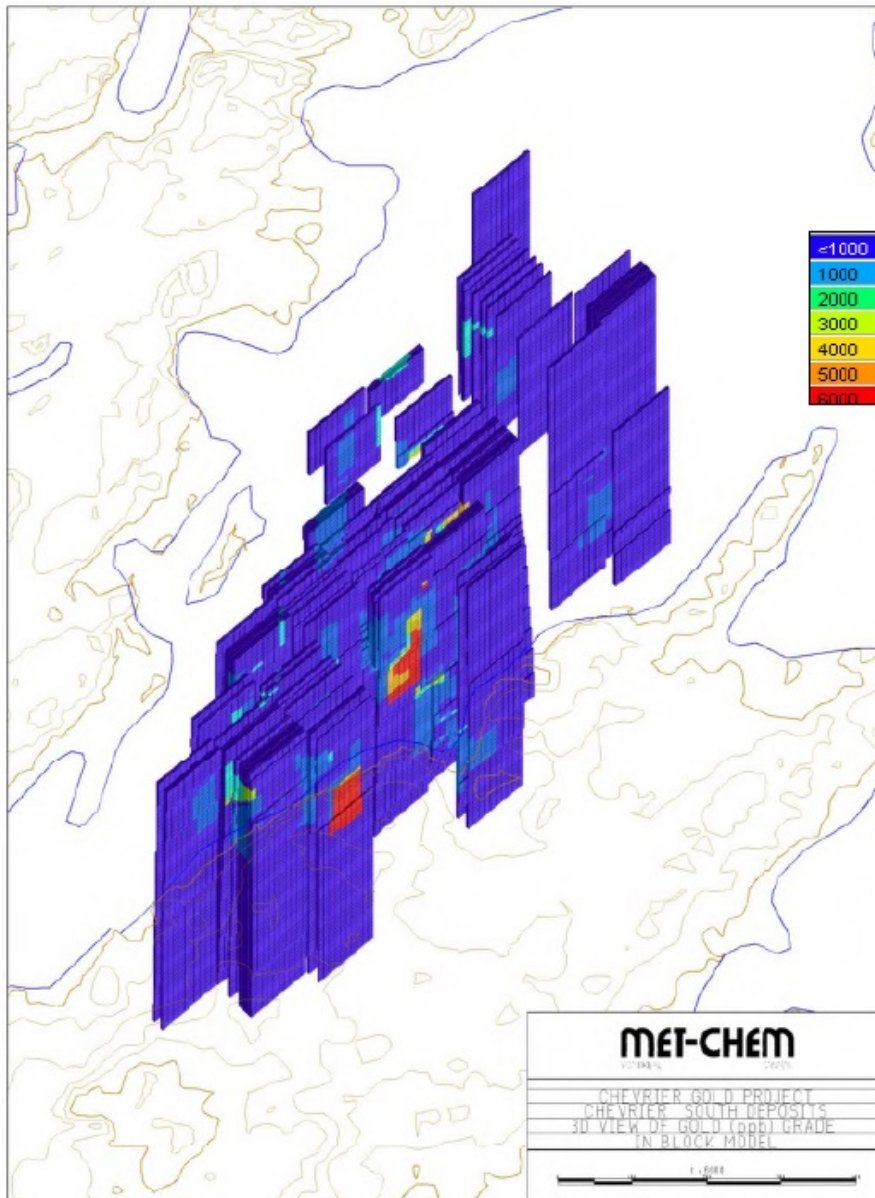
Management also believes there is more high grade potential to be found, but for starters the lower grade open pit potential is very attractive, with an average grade of 1.99g/t Au, which is pretty high.

Table 16.7 – Chevrier Deposit; Estimated Tonnage and Average Grade at various Cut-Off Grades to a Maximum Depth of 250 m

| Cut-Off (g/t Au) | Tonnes (x 1000) | Average Grade (g/t Au) |
|-------------------------|------------------------|-------------------------------|
| 1.0 | 4,616 | 1.990 |
| 1.5 | 2,927 | 2.426 |
| 2.0 | 1,681 | 2.946 |
| 2.5 | 930 | 3.573 |
| 3.0 | 556 | 4.106 |
| 3.5 | 351 | 4.614 |
| 4.0 | 248 | 4.986 |

The South Zone hasn't seen much drilling yet, but does seem to be more continuous and less spread out as a mineralized envelope:

Figure 17.7 – 3D View of the Gold Grades in the Block Model



South Zone; 3D block model

As can be seen, the South Zone is also located under a shallow lake. The sensitivity for cut-off follows roughly the same pattern for the South Zone, the majority of the mineralized zone is lower grade, and tonnage decreases fast at a higher cut-off grade:

| Cut-Off (g/t Au) | Tonnes (x1,000,000) | Average Grade (g/t Au) |
|-----------------------------|--------------------------------|-----------------------------------|
| 1.0 | 8,9 | 1.984 |
| 1.5 | 4,4 | 2.784 |
| 2.0 | 1,9 | 4.341 |
| 2.5 | 1,4 | 5.109 |
| 3.0 | 1,2 | 5.498 |
| 3.5 | 0,9 | 6.216 |
| 4.0 | 0,8 | 6.515 |

As Met-Chem was fairly conservative at the Main Zone, scrapping over 70% of the Geonova resource estimate, I believe they were possibly just as conservative at the South Zone. As this zone is currently almost double the estimate of the Main Zone, this could imply that Geonova could have estimated 1.5-2Moz Au for the South Zone using their own methods at the time after sufficient drilling, still non-NI43-101 compliant of course. Even if Genesis Metals manages to prove up only half of those hypothetical ounces, the total combined resource would jump from 854koz to 1.5Moz Au.

The beauty of proving up historic estimates that have seen a lot of drilling is that a company doesn't need to do all the historic drilling again. According to management, only 10-15% is enough. This would mean that in the case of the Main Zone, a modest drill program of about 6,000m could be enough to prove up anywhere between the current estimate of 295koz Au to Geonova's last estimate of 1.1Moz Au. The South Zone needs at least 20 drill holes of 300m each to bring at least the current envelope to Inferred, so also about 6,000m of infill drilling. And who knows what will be added here, as Met-Chem used the same model at South Zone, also under heavy scrutiny of Genesis' geologists.

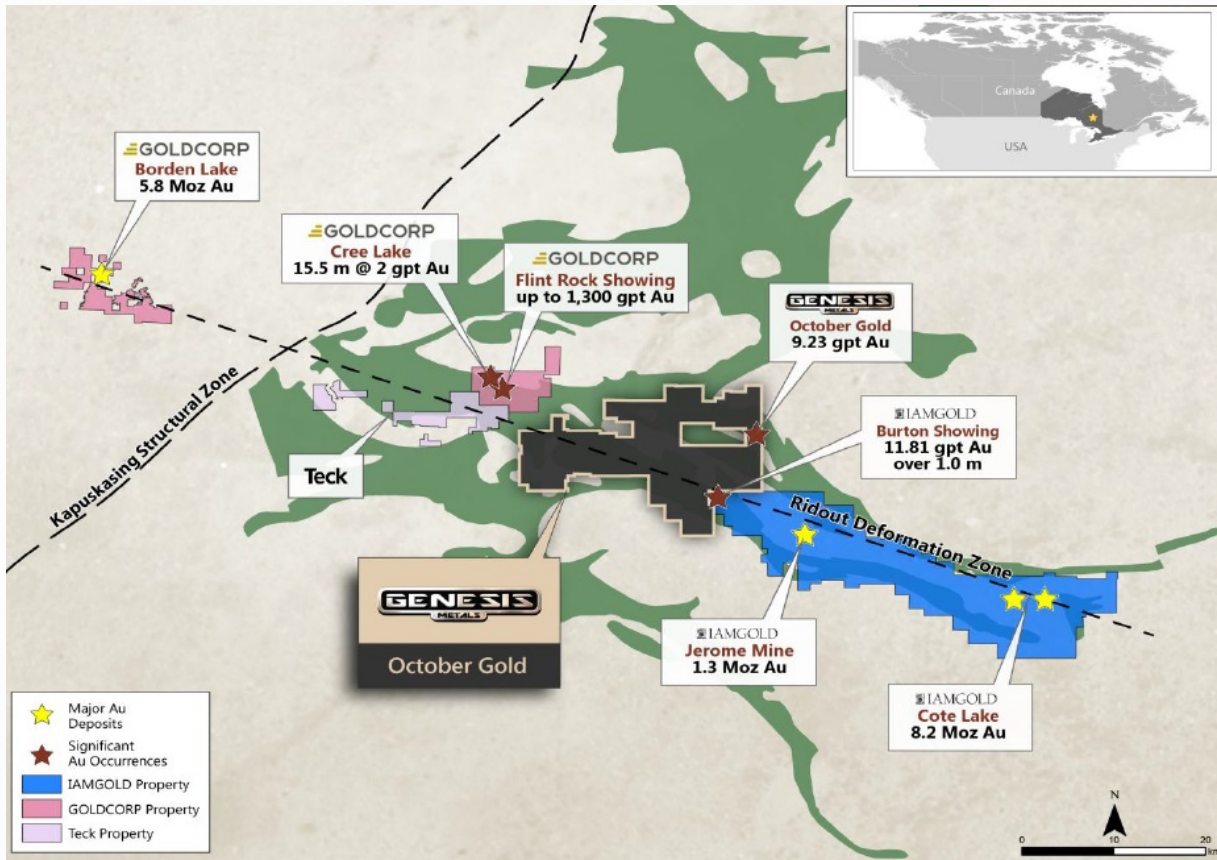
As the South Zone is located for the most part below shallow water, management is contemplating barge drilling to do confirmation/infill drilling. Barge drilling isn't really much more costly, and is estimated at C\$200/m versus C\$150/m on ice/land.

The main difference is drill permits here, it could be the case that a special permit is needed in Quebec, and this would take a few extra weeks. As drill permits in Quebec often go smoothly, the company expects a 4-5 week period to receive them in case no special permit is needed, and 5-7 weeks if a special permit is indeed needed. In the future I don't expect too many problems or additional costs with coffer dams during possible construction, as the lakes are very shallow on both locations (depth not exceeding 5m).

Genesis Metals is contemplating about 2,000m stepout drilling and other exploration work for this summer as well, as there are many interesting targets. The company is cashed up for this, but will have to raise more money for the other 6,000m drill programs. The potential for much more than 1Moz Au is tremendous, so I'm looking forward to upcoming developments on Chevrier.

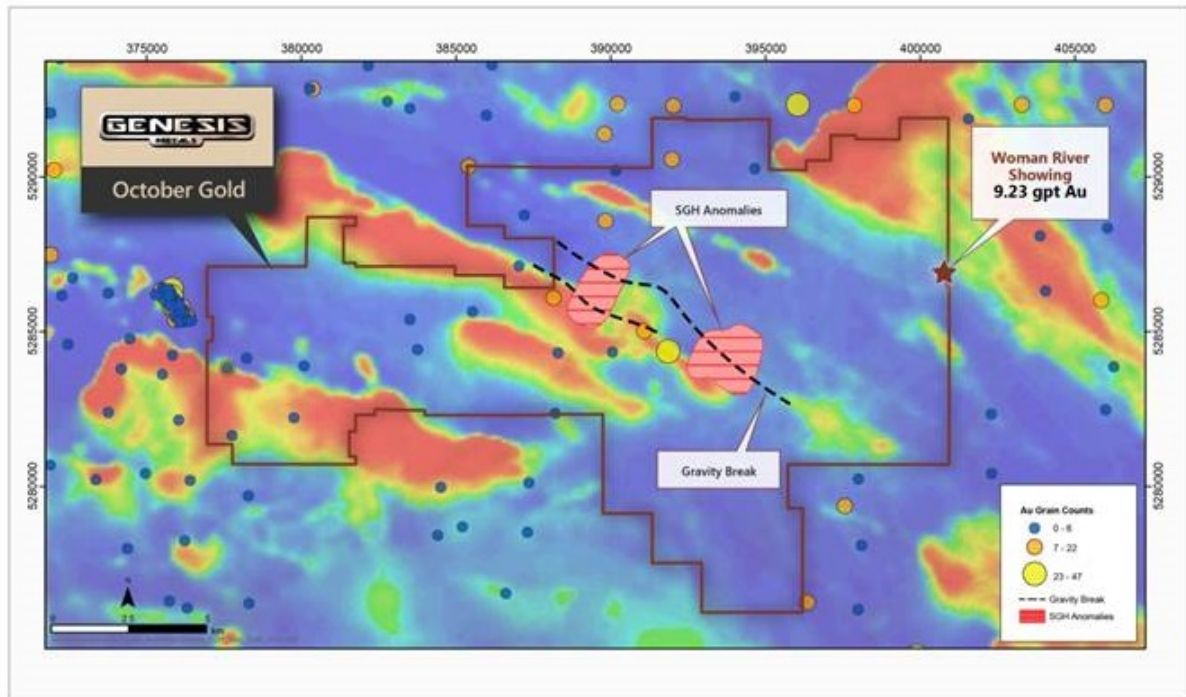
B. October Gold Property

Besides the Chevrier Gold project, Genesis Metals also holds a 100% interest in the October Gold Property, located in the Southern Swayze greenstone belt in Benton Township, Ontario. Located within the Abitibi region, the property straddles a portion of the Ridout Deformation Zone, which hosts Goldcorp's Borden Lake Deposit and IAM GOLD's Côté Lake Gold Deposit. The project is located 35 km northwest of IAMGOLD's Cote Lake deposit and 50km southeast of Goldcorp's Borden gold deposit, and the property covers 203 square kilometers. The Ridout Deformation Zone is also considered to be the western extension of the Larder Lake-Cadillac Deformation Zone.



October Gold property

Genesis' past surface exploration program identified two strong gold anomalies at October Gold, one with a footprint of 1.5km by 3km, the other with a footprint of 2.0km. by 2.0km.



The two strong gold anomalies found on the October Gold Property were identified during the 2011 surface exploration program. This program comprised Soil Gas Hydrocarbon (SGH) sampling and reconnaissance level gravity geophysical surveys. The SGH program analyzed 4,785 soil samples along 11 km of strike length of the Ridout Deformation Zone.

The SGH survey is a deep penetrating geochemical method that involves the analysis of various hydrocarbons associated with ore bodies at depth using a forensic and comparative approach for identification. It has also been shown to accurately identify known mineralization beneath overburden and has contributed to recent gold discoveries in the Canadian Shield and elsewhere, including Trelawney's resource expansion of the Jerome Mine.

Genesis Metals originally wanted to look for a JV partner, but management currently feels that this property has more value, and is now undertaking a property wide compilation of historical work to guide them on the next round of exploration work to upgrade potential targets.

4. Upside potential

In order to get something of a grasp on upside potential for the share price, I usually revert to DCF modelling, but as Genesis Metals is an early stage exploration play, the best way to look into this in my view is a peer comparison based on a Enterprise Value (EV)/ounces of gold (oz Au) ratio. This method isn't perfect as every single company has a unique set of parameters and should actually be analyzed in full and normalized as far as this is possible of course, and EV doesn't say anything about profitability, high capex, jurisdiction etc., etc., but with some comments to go with such a peer comparison it provides at least an indication.

I picked a number of well-known companies, all having at least a NI43-101 or PEA, all in Canada and almost all of them having open pit deposits or a

combination of open pit and underground. Some have more projects like Auryn but it gives an idea:

| Gold explorers | | | | | | | | | | | | | | | | |
|----------------|------------------------|-------|--------|-------|-----------------|-------|----------------------|-------------------------|------------------|-----------|-----------|----------|-----------|----------|-------|-------|
| Ticker | Company | PPS | O/S | MC | Working Capital | | EV | Jurisdiction | Flagship project | Type | Resources | Grade | Resources | Grade | EV/oz | EV/oz |
| | | C\$ | M | M C\$ | M C\$ | M C\$ | Au Moz | | | | Au g/t | AuEq Moz | AuEq/g/t | Au | AuEq | |
| AUG.TO | Auryn Resources | 3,42 | 76,41 | 261 | 3,04 | 258 | BC, Can/Nunavut, Can | Committee, Homestake | Open Pit/UG | 2,7 | 4,85 | 3,1 | 5,7 | 95,7 | 83,3 | |
| ER.TO | Eastmain Resources | 0,53 | 175,43 | 93 | 6,84 | 86 | Quebec, Can | Cleanwater | Open Pit/UG | 1,8 | 4,37 | 1,8 | 4,37 | 47,9 | 47,9 | |
| LEX.TO | Lexam VG Gold | 0,275 | 226,57 | 62 | 0,76 | 62 | Ontario, Can | Buffalo/Davidson/Fuller | Open Pit/UG | 2,4 | 2,74 | 2,4 | 2,74 | 25,6 | 25,6 | |
| MOZ.TO | Marathon Gold | 0,97 | 118,01 | 114 | 1,52 | 113 | Newfoundland, Can | Valentine Lake | Open Pit/UG | 1,3 | 2,37 | 1,3 | 2,37 | 86,9 | 86,9 | |
| PGM.V | Pure Gold Mining | 0,66 | 172,64 | 114 | 6,84 | 107 | Ontario, Can | Madsen | UG | 1,2 | 9,47 | 1,2 | 9,47 | 89,3 | 89,3 | |
| TMLTO | Treasury Metals | 0,75 | 103,11 | 77 | -2,28 | 80 | Ontario, Can | Goliath | Open Pit/UG | 1,6 | 1,88 | 1,9 | 2,26 | 49,8 | 41,9 | |
| RK.V | Rockhaven | 0,185 | 129,75 | 24 | 1,1 | 23 | Yukon, Can | Klaza | Open Pit/UG | 1,36 | 4,48 | 1,79 | 5,92 | 16,8 | 12,8 | |
| AVA.V | Aurvista Gold | 0,34 | 131,91 | 45 | 4,2 | 41 | Quebec, Can | Douay | Open Pit/UG | 2,99 | 0,97 | 2,99 | 0,97 | 13,6 | 13,6 | |
| ME.TO | Moneta Porcupine Mines | 0,23 | 238,45 | 55 | 5,6 | 49 | Ontario, Can | Golden Highway | Open Pit/UG | 4,3 | 1,16 | 4,3 | 1,16 | 11,5 | 11,5 | |
| Ticker | Company | PPS | O/S | MC | Working Capital | | EV | Jurisdiction | Flagship project | Operation | Hyp. Res. | Grade | Hyp. Res. | Grade | EV/oz | EV/oz |
| | | C\$ | M | M C\$ | M C\$ | M C\$ | | | | | Au Moz | Au g/t | AuEq Moz | AuEq/g/t | Au | AuEq |
| GIS.V | Genesis Metals | 0,155 | 41,15 | 6 | 0,9 | 5 | Quebec, Can | Chevrier | Open Pit/UG | 0,85 | 2 | 0,85 | 2 | 6,4 | 6,4 | |

For comparison I used a hypothetical 0.85Moz resource for Genesis Metals, as if the South Zone would have been delineated to Inferred. As I expect much more from Chevrier, the EV/oz ratio would be even lower, indicating even more upside. Personally I view Aurvista and Moneta as (very) undervalued, as both are large, low grade, for the most part open pitable projects which require significant capex, but are probably profitable at current gold prices.

Aurvista is a relatively young play, pretty active but still relatively unknown, whereas Moneta is widely known and a veteran junior, relatively inactive, and investors are waiting for many months now for the first new drill results, which could be an explanation for its subdued share price. Rockhaven, the other peer with a low EV/oz ratio has decent economics, but suffers from the fact that the capex is almost double the current NPV, which is a no go for most financiers, especially in precious metals. A normal threshold for capex is at least equal to NPV or preferably less.

It is all up to Genesis management now, if they can prove up about 1Moz Au, and these ounces give at least the impression of being economic, there is no doubt in my mind that Genesis Metals will rerate to a EV/oz ratio of at least 12-15. If they manage to add more ounces, achieve good economics and healthy capex when doing a PEA, an EV/oz ratio of 25-40 isn't out of the question, which would already indicate a multi-bagger from current levels as the EV would rise with a factor of 5-8 times. The share price will increase a bit less of course, as capital has to be raised in the mean time. Real blue sky potential comes within reach when economics would be very good, raising the EV/oz ratio above 60, and the number of ounces could surpass the 2.0-2.5Moz mark.

5. Conclusion

The Chevrier project is a project with two sides: on the one hand it's geology is complex and the South Zone is for the most part located under a shallow lake, on the other hand it has vast district-scale potential, possibilities for relatively high grade open pit scenarios, and a possibility for a multi-million ounces of gold combination of several mineralized zones close to each other. The very experienced team of renowned geologists should have an above average chance to solve the Chevrier puzzle in my view.

If they succeed, and the new and confirmed resources have a good chance of being economic which seems likely, a very significant rerating could be possible if mining sentiment stays positive. I like the odds and the upside here.

The Critical Investor is a newsletter and comprehensive junior mining platform, providing analysis, blog and newsfeed and all sorts of information about junior mining. The editor is an avid and critical junior mining stock investor from The Netherlands, MSc background in construction/project management. Number cruncher at project economics, looking for high quality companies, mostly growth/turnaround/catalyst-driven to avoid too much dependence/influence of long term commodity pricing/market sentiments, and often looking for long term deep value. Getting burned in the past himself at junior mining investments by following overly positive sources which more often than not avoided to mention (hidden) risks or critical flaws, The Critical Investor learned his lesson well, and goes a few steps further ever since, providing a fresh, more in-depth, and critical vision on things, hence the name.

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October Gold project; aerial view