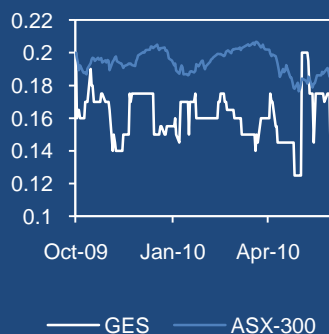



Recommendation
Speculative Buy
Volatility
High
Trading Price for the
26th June 2010
\$0.17
Target Price in 12 Months:
\$0.36
Price Performance

Industry Group: Resources

Market Cap: \$9,023,727

Total Issue: 53,080,752

12m High/Low: \$0.20/\$0.12

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Genesis Resources Limited

ASX: GES
OVERVIEW

Genesis Resources (ASX Code: GES) is an emerging multi-mineral mining company developing gold, silver, manganese, iron & copper resources in the highly prospective Archean and Proterozoic metallogenic provinces of Australia and the former Yugoslav Republic of Macedonia.

Genesis Resources Ltd is moving ahead with their flagship gold, silver & copper project at Plavica in the former Yugoslav Republic of Macedonia with JORC-inferred resource of 1.65 million troy ounce (ozt) of gold, 28.2 million ozt of silver and 32.6 million pounds (lb) of copper. Electro-magnetic airborne and ground IP surveys are currently underway to delineate manganese, iron, copper and gold drilling targets on the company's Australian projects located in the Northern Territory & Queensland. GES has also begun drilling on its iron prospect proximal to Alice Springs in Northern Territory.

The current target price is based on risk-adjusted actions taken and/or funded which are identified in this report. Further drilling on tenements resulting in the quantification of resources along with significant announcements to the market may adjust the target price and changes will be reflected in any updates to this report.

COMPANY

Genesis Resources (ASX: GES) is an Australian junior multi-mineral mining company with strong portfolio of gold, silver, manganese, iron and copper. The company was listed on ASX in October, 2009 and currently owns mineral exploration licences over tenements in the highly prospective Archean and Proterozoic metallogenic provinces of Australia and the former Yugoslav Republic of Macedonia.

Since incorporation, GES has assembled a portfolio of seven 100% owned exploration licences in Queensland and the Northern Territory. GES also has a JV agreement giving it a 62% "right to earn" position in a copper-gold project in Plavica, former Yugoslav Republic of Macedonia. The company's focus is currently to delineate JORC resources at Plavica, Gladstone, McArthur and Fenn Gap and start mining to develop early cash flows.

Plavica Gold-Silver-Copper Project

The Plavica project is located in the Carpathian Volcanic Arc running through Eastern Europe and is highly prospective for Gold, Silver and Copper. GES holds a JV agreement with a major mining company in the region, SILEKS, with a 62% "right to earn" position in the project. The company recently finished proving the first JORC-inferred resource of 1.65 million ozt of gold, 28.2 million ozt of silver and 32.6 million lbs (Mlbs) of copper. This is company's most advanced project and further drilling program is being planned to prove up resources to an JORC Indicated and Measured status. In conjunction with this, GES is

IMPORTANT DISCLOSURES regarding the companies and securities mentioned in this report, along with an explanation of recommendations and volatility can be found at the end of this document. Bakers strongly suggests you read these in full before relying on any information contained in this report.



planning to commence metallurgical test work on the mineralised zones to delineate the recovery percentages of each mineral.

Australian Projects

Gladstone Manganese Project [EPM 15771]

The Gladstone Manganese project represents high-grade manganese mineralisation. The project is situated on top of historical Mt. Millar mine. Historically, approximately 21,785 tonnes of 44%-53% high grade Manganese has been mined from this mine. The current rock chip assays have returned values of 58.7%, 60.5% and 61.1% manganese at Mt. Millar. The project is situated only 15km from the port at Gladstone and is close to other infrastructure.

Recent geological studies have returned an estimate of 206,000 tonnes of manganese ore still remaining at Mt. Millar. Helicopter electromagnetic (VTEM) surveys are currently being carried out to delineate further drill targets with the results expected soon.

McArthur River Manganese Project [EL24814]

Geological assays at Masterton No. 2 show manganese lenses up to 1,320 meters in length and 10 meters width with an average of 50% manganese with outcrop assaying up to 63.23% manganese. The Exploration area is 231 sq km covering nearly 7.99km strike length of strong EM anomalies. Geological studies estimate presence of nearly 289,000t of high-grade manganese over the prospect.

Airborne VTEM surveys have been finished with the expected delineated drill targets and the survey results expected to be released soon.

The project is located north east of the Bootu Creek mine, which has reported a resource potential of 15.9m tonnes of manganese. GEMCO (Australia's largest manganese operating mine) lies towards north of McArthur River project, giving a speculation of presence of large manganese deposit.

Fenn Gap Iron-Manganese Project [EL24839]

Fenn Gap is a high prospect iron and manganese project. Geological studies report an extensive outcropping of iron-manganese mineralization over 9.9km strike length with assayed grades varying between 41.8% - 57.7% iron and 33.2% manganese. Gravity models indicate the mineralization extends beyond 100 meters deep vertically speculating presence of an enormous reserve.

Drilling has commenced over this project and results are expected towards late July or early August, potentially providing a significant uplift to company's value.

Alice Springs Iron-Copper-Manganese Project [EL24817]

The exploration area is high prospective for iron & copper mineralization with outcrops visibly seen on the surface. Recent rock chip results show potential for high iron mineralization ranging between 37.49%-63.72% over the Magnetite Hill prospect and 27.21%-70.29% iron



mineralization over the Triple Iron Hill prospect within the exploration zone. The exploration zone also consists of historical high grade copper mines producing nearly 33% copper. The sampling assays conducted across the exploration area resulted in copper assays ranging between 15.85%-40% copper in different prospects.

Airborne EM and magnetic surveys in the area have been completed and data is being analysed to delineate drill targets to develop resources to JORC status.

Arlunga Gold-Copper Project [EL25238]

The Arlunga Project is located approximately 110 km northeast of Alice Springs, over historical gold producing mines. Historically approximately 15,400 ozt of gold has been mined in the area, and the recent IP surveys have delineated nearly 25 target anomalies over the existing mines and also some are extensions to old works. These survey results show a high prospect of gold mineralization in the area.

Pioneer Gold Project [EPM15619]

The project is located near Bundaberg, Queensland, over historically existing gold mines. Historically mine produced high-grade gold averaging over 23g/t. The project area holds 14 prospective gold sites with recent rock chip sample assays averaging to 54.4g/t of gold. Ground IP surveys are planned for end of July with expected new delineated drill targets to be released by the end of August.

Laura River Gold Project [EPM15424]

The Laura River prospect in Far North Queensland is comparatively less worked, and awaits development of an exploration program. The Palmer Goldfields in the area were once extensive, and new techniques and technologies are expected to identify significant resources over time.

Company Strategy

The company has set itself the mission to identify and develop a series of cost effective natural resource projects. GES holds 7 mineral exploration licenses/permits in Queensland and Northern Territory and has a project in advanced exploration phase in the former Yugoslav Republic of Macedonia. The current company strategy is first to explore area under the exploration licenses and then to prioritize its exploration program for moving forward. Until now company has achieved JORC resource status on its Plavica resource which is highly prospective for gold, silver and copper. Geological work is in advanced stage on Gladstone, McArthur, Fenn Gap and Alice Springs areas for identification of manganese, iron & copper resource potential and currently EM surveys have yielded positive results for these areas. Drill targets are currently being defined. By the end of the 4th quarter 2010 the company plans to prove up resources in these areas, and plans to start for feasibility studies by late-2011. Ground IP surveys over Arlunga region have resulted in positive EM anomalies for gold mineralization, which makes it the next in the line in company's exploration program.



We believe that the current company strategy is well focussed to achieve early development of potential resources. The strategy also allows company to prioritize its budget and actions for developing early cash flow options.

VALUATION

The current valuation is based on In Situ Resource valuation techniques as the company is still in exploration phase. The valuation model uses an approximate mineral extraction rate of 1% and includes a 60% resource risk factor across Plavica, Gladstone and McArthur projects and a resource risk factor of 80% in valuation of Fenn Gap tenement. The reason for using a lower risk factor in Plavica, Gladstone and McArthur is that, in Plavica, the resource has been inferred to JORC status and where as Gladstone and McArthur projects are over existing mines which historically produced high quantities of high grade mineral ore.

Gold Valuation

Genesis Resources current flagship project in Plavica, former Yugoslav Republic of Macedonia, is a high prospect Gold & Silver project with JORC inferred resources of 1.6 million ozt of gold, 28.2 million oz of silver and 32.6 Mlb. Genesis has started further drilling on the tenement to prove resources to JORC indicated status. Genesis' Australian gold prospects in Arltunga, Laura River, Pioneer and Alice Springs are in the stage of EM surveys to identify drilling targets. Recently completed surveys on Arltunga have identified very positive prospects for gold mineralisation.

The current company valuation on gold tenements is mainly based on Plavica's resources. Using the in situ resource valuation method, this current valuation of the in situ resource in Plavica stands at \$7.7m which comes to EV/Resource oz of \$5.6/oz gold-equivalent. This resource value is expected to contribute \$0.14 per share value to current value of floating shares.

Manganese Valuation

Genesis Resources' two main manganese tenements are located on historically high grade producing mines in Gladstone (the Mt. Millar mine) and McArthur, with a third tenement in Fenn Gap, Northern Territory with high prospects of Manganese and Iron mineralisation. The current valuation is based on geological estimates which were derived from geology reports issued by the company.

The current valuation of in situ resources in Gladstone (the Mt. Millar mine), stands at \$2.6m and is expected, taking into account risk, to contribute \$0.05 per share value to the current value of floating shares. The estimated resource value at McArthur stands at \$3.6m contributing a risk adjusted \$0.07 per share to existing value. The Fenn Gap project stands at \$3.3m contributing an estimated risk-adjusted \$0.06 per share of value. The resource value of these projects is likely to change in the near future with the announcement of JORC resource status as drilling targets have been defined and the company is about to begin



Genesis Resources Limited

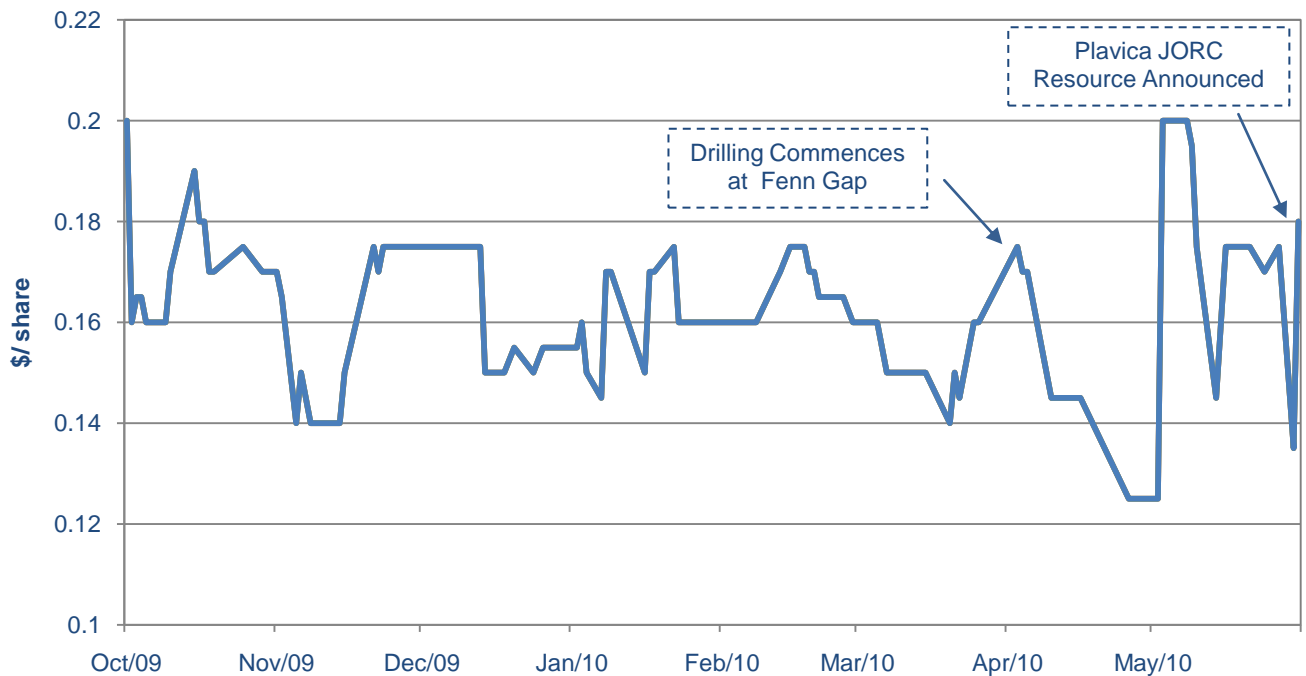
ASX: GES

drilling for resource quantification. As resources are further JORC quantified, risk associated with the projects will decline and value will significantly rise.

Valuation Outlook

The valuation of the resources held by company is further strengthened with a strong future outlook in the global iron and steel market. The share price performance of Genesis Resources since floating in October 2010 is shown in the following graph:

GES Share Price Performance Oct 09 - June 10

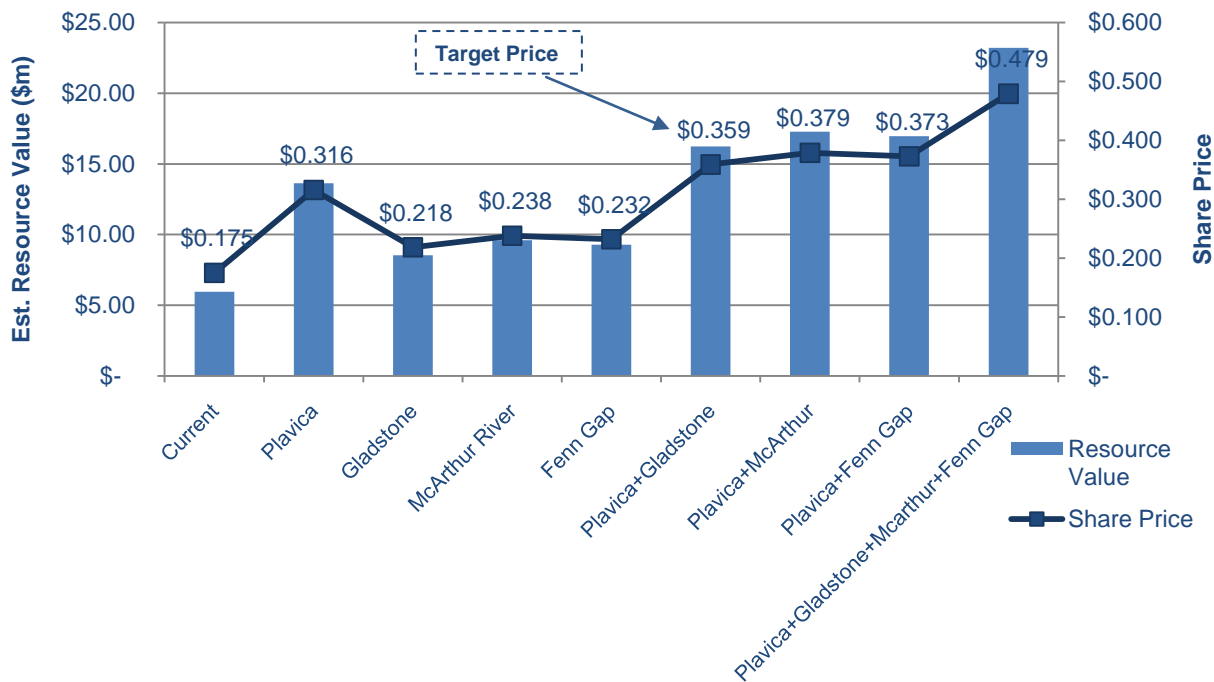


This graph shows the current share price of \$0.17 and an EV of \$5.9million. Our valuation suggests that the company’s resources are currently undervalued.

The company’s strategy is to move ahead with all projects at the same time in order to quickly quantify resources. The following graph shows the expected increase in the resource value of the company with each project proving up resources and with a corresponding expected share price increase as each result is announced to the market.



Estimated Future Resource Value & Share Price



The valuation takes into account current status of each project in terms of its progress towards resource quantification. Plavica project is the most advanced project, followed by the Gladstone project. Therefore, the most likely scenario in the near term is the proving of resources at Plavica and Gladstone. Achieving this scenario would add nearly \$10 million of value to the existing company value of \$5.9 million, and would act as a driver for company's growth to an estimated share price of \$0.36 per share. The best case scenario represents company attaining JORC resource status for all its advanced stage tenements i.e. Plavica, Gladstone, McArthur & Fenn Gap. This scenario is likely to add a value of approximately \$17.3 million with an estimated increase in share price to \$0.48 per share.

We believe that the most likely 12 month share price target of Genesis Resources to be approximately \$0.36 per share, more than double the current trading price.

Management Team

Eddie Lung Yiu Pang (Non Executive Chairman)

Eddie Pang currently owns a trading business in China dealing in Chilean iron ore, cathode copper and timber. Mr Pang brings in the company the knowledge and experience of trading commodities and operating in Asian markets. The strong growth in minerals sectors is mainly due to demand in China and other developing Asian Nations. His experience will prove an asset for the company as resource development moves forward.



Pedro Kastellorizos (Managing Director)

Pedro Kastellorizos is a geologist by profession with nearly 13 years experience in the mining industry. Mr Kastellorizos has worked extensively in the Northern Territory in gold and base metal exploration and mining. He brings extensive knowledge of the industry and is an asset in knowing the geology of the area and in exploration planning for the company.

Dr. A. Kerim Sener (Non-Executive Technical Director)

Dr. Sener has a PhD in Geology and over 10 years of exploration experience. Dr Sener has past exploration experience in Manganese mineralization. Currently Dr. Sener is Managing Director of an AIM listed company involved in exploration of precious minerals in Turkey.

Deric Wee (Non-Executive Financial Director)

Deric Wee has an experience of working in financial services industry since 1989 as stockbroker and investment banker. Mr Wee brings along with him experience of financial markets to the company.

Company Growth Drivers

Strong Outlook for Base Minerals

Manganese forms a majority of the GES resources portfolio. With a strong growth outlook for iron and steel industry driven by Chinese demand, manganese prices are expected to increase in future¹ proving a solid recent on investment.

Resource Potential

The current company strategy of proving up resource potential on most of its tenements and then prioritizing the exploration and mining operations, provides a significant upside to the company growth as resources are JORC quantified. This strategy could prove useful in generating early cash flow and using that for future exploration over underdeveloped areas.

RISKS

The mining industry, by its very nature, is subject to numerous risks. GES is currently in early exploration phase and has to deal with several risks in terms of political, environmental, exploration, project funding etc. The below mentioned risks are currently applied to company valuation and as the company moves forward with proving up resources and start production the risk factors reduce.

Political risks

GES is a junior exploration company with exploration permits in Australia and Former Yugoslav Republic of Macedonia. Politically Australia is very stable where as there are some

¹ *General Review of Manganese Ore in 2009 and It's Outlook for New Year*, 20 January 2010, www.texreport.co.jp



doubts over political risks in Former Yugoslav Republic of Macedonia as the country is surrounded of some of the historically unstable countries like Bosnia and Slovakia. In Australia, with the recent announcement of the proposed Minerals Resource Rent Tax (MRRT) to replace the earlier announced Resource Super Profits Tax (RSPT), the development of the company's iron ore resources only would be subject to assessment for MRRT. However, the high proposed cut-in rate of \$50m of profit above the bond rate plus 7% taking into account the extraction allowance and the determination of book value, means that impact of the MRRT on GES is likely to be minimal for the foreseeable future. Given how the proposed RSPT played out politically, the Australian Government is unlikely to take further action in the foreseeable future which would impact on GES

Exploration risks and Economic Viability

- Mining and exploration are high risk endeavours although there may be the potential for high returns.
- Exploration is costly and involves exacting techniques which must be applied over extended periods of time. All of the Company's projects are at an exploration stage and the Company cannot foresee whether the planned exploration programmes will generate positive results. Furthermore, there is no guarantee that the Company's exploration activities will succeed in the discovery of a commercially viable ore deposit.
- Mining risks include the uncertainties associated with projected continuity of an ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems.
- Exploration and mining may be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to seasonal changes, industrial disputes, land claims, legal challenges associated with Native Title claimants, heritage and environmental matters and legislation, mining legislation and many other factors beyond the control of the Company, including many that are partly or wholly unforeseeable.
- The cost of maintaining exploration and mining properties, which depends on the Company having access to sufficient development capital, poses another form of risk.
- If exploration or mining programmes prove to be unsuccessful, this could result in a diminution of the value of the tenements which could have a negative impact on the Company's share price.

In order to mitigate some of the exploration and economic risk, the company has focussed initial activities on projects with high probability of success being adjacent to, or in close proximity to former or existing mines.

CONCLUSION

The current valuation represents value of tenements held by Genesis Resources. The current valuation suggests that the company is currently undervalued and possesses significant potential for an uplift in value with the gradual proving up of resources.

We therefore see a 12 month target price of **\$0.36**.



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Recommendation Structure

Absolute performance, long-term recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. The target price is the level the stock should currently trade at if the market accepted the analyst's view of the stock, provided the necessary catalysts are in place to effect the change in perception. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value the target price will differ from 'fair' value. Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Each stock has been assigned a Volatility Rating to assist in assessing the risk of the security. The rating measures the volatility of the security's daily closing price data over the previous year relative to other stocks including in the S&P/ASX-300 Index. This rating is a quantitative (objective) measure provided as an additional resource and is independent of the qualitative research process undertaken by our research analysts.

Regulatory Disclosures

SUBJECT COMPANIES: ASX:GES Genesis Resources Ltd

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