

Original-Research: Desert Gold Ventures Inc. (von GBC AG): Buy

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Classification of GBC AG to [Desert Gold Ventures Inc.](#)

Company Name:	Desert Gold Ventures Inc.
ISIN:	CA25039N4084
Reason for the research:	Research Report (Anno)
Recommendation:	Buy
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Target price on sight of:	31.12.2026
Last rating change:	
Analyst:	Matthias Greiffenberger, Cosmin Filker

From exploration optionality to a funded path to first gold

Desert Gold Ventures is in the middle of a strategic transition from a long running exploration optionality story in western staged development and early operating readiness story anchored by its fully permitted Barani East oxide gold project. An important takeaway from the recent flow of company communication is not simply that more planning is being done, but that execution planning has begun to translate into real mobilization, site governance, infrastructure sequencing, and an explicit calendar toward an initial go live event. In parallel, management has taken steps to ensure the balance sheet can support term execution push while keeping broader exploration options alive across the much larger SMSZ land package and the Tiegba exposure in Cote d'Ivoire. The equity story is therefore shifting from a primarily geological debate into an operational project delivery debate, with the near-term share price likely to be driven less by incremental drill intersections and more by the cadence of tangible milestones such as water development, civil completion, plant delivery, installation, commissioning and gold production performance.

Why the market should care now

Historically, Desert Gold has been valued primarily on optionality, scale, and the probability of making a large discovery in a proven structural corridor. Optionality stories tend to trade on sentiment cycles, drill result momentum, and the cost of capital also tend to be punished when capital markets tighten because the underlying asset cannot self fund. Management is now attempting to change that dynamic by advancing Barani East as an execution led, lower initial capital intensity project that moves toward cash generating operations in phases. The central thesis is straightforward: compress time to first meaningful operational validation by starting with a simpler gravity only processing approach, validate mining and metallurgy in the stockpile unrecovered or partially recovered material for future processing, and then step up to higher recovery and high throughput configurations when technical confidence and financing capacity improve. This staged approach is designed to reduce the upfront engineering burden, lower the initial capital hurdle, and create shorter cycle catalysts that are easier for the market to price.

The company is trying to create an internally consistent bridge between exploration upside and development credibility. As Barani East progresses from a permitted project into a constructed and operating asset, even at modest throughput, the market is likely to treat Desert Gold as a company with a pathway to recurring cash flows rather than solely a capital consuming exploration project. This changes the valuation framework, broadens the investable audience, and can reduce the equity risk premium applied to dated exploration optionality.

Barani East is moving from concept into execution

What matters most now is that Barani East appears to be moving from concept into execution. The project has progressed from conceptual planning into a series of field and engineering actions that indicate the company is attempting to lock down risk early. This is evidenced by physical mobilization, camp and site readiness work, on the ground technical assessments, the discovery of a material design conflict, and the creation of an oversight framework that includes independent civil and environmental controls.

Physical presence and mobilization matter more than they appear. Opening and operationalizing the project camp, initial site cleaning and readiness, and beginning community relations engagement signals the company is moving from desktop planning into field governance. For early stage mining projects in remote jurisdictions, the transition from head office planning to

execution is where many hidden risks emerge. Logistics, site access constraints, local administrative procedures, contractor availability, and ground truth differences versus maps all begin to surface. The fact that the company has disclosed a site assessment visit and an explicit set of mission objectives suggests a more disciplined approach than the typical small scale of mobilizing contractors without robust independent verification.

The technical assessment element is particularly instructive. A key disclosed finding was a conflict between the proposed infrastructure layout and a strong natural drainage network. In practical terms, this type of conflict is one of the most common sources of civil failure, schedule slippage, and expensive rework, particularly in seasonal rainfall environments. A poorly planned plant pad or access road can become a flood channel. Foundations can be undermined. Road culverts and water diversion structures can be undersized. The discovery of this issue prior to major construction start is a positive signal. Even more important is the response methodology: identification, proposal, submission to layout designers, validation, then execution. This sequence indicates that management is not treating the project as a simple drop in the plant and start running effort. They are acknowledging that civil design and hydrology are critical path items, and they are trying to resolve them before capital is committed into incorrect earthworks.

Another significant development is the articulation of a parallel workstream approach. The company is sequencing site preparation and infrastructure tasks to run ahead of plant delivery, which is a rational attempt to compress the overall timeline and reduce time once major equipment arrives. This includes site clearing and earthworks, road upgrades, ROM pad preparation, foundations, water development, drainage controls, utilities, security, lighting, offices, control rooms and camp infrastructure. Doing them early reduces the probability that the plant arrives and sits on the ground while civil work catches up.

The use of independent civil oversight is also important. Selecting an independent civil consultant team with a mission manager, engineer and onsite technical personnel, and mobilizing them once contracts are signed, suggests an institutional commitment to quality control. For first time or early producer builds, independent oversight can prevent a cascade of downstream failures. Governance quality often explains why two projects with similar scope have very different outcomes. A small modular plant can fail if foundations are wrong, drainage is mismanaged, or equipment is installed without alignment and tolerance discipline. Independent oversight can also improve contractor accountability, documentation quality, and the rigor of handover protocols.

The financing now supports the build

The financing now supports this shift in emphasis. Desert Gold has raised approximately C\$7.21 million gross in recent financing. The company stated that the proceeds are intended in part to commission the first phase of its gravity plant at the permitted Barani East oxide gold project, while also supporting exploration and general working capital.

The plan: start small, prove the mine, scale with confidence

The plan itself is best understood as a staged development roadmap. Management's approach begins with a modular gravity processing plant supported by enabling infrastructure, executed with a risk reduction mindset, and tied to a defined cost target. The processing approach starts with gravity only beneficiation of oxide material. Gravity circuits exploit the density difference between gold bearing particles and gangue to concentrate free gold, often through centrifugal concentrators, shaking tables, associated classification and pumping systems. Gravity can be attractive for oxide operations because it can be modular, fast to install, and does not require the same level of reagent handling and tailings chemistry management as cyanidation.

The key strategic point is that gravity only is not being presented as the terminal configuration. The conceptual framework includes an initial gravity phase with moderate recovery, alongside a longer dated pathway to higher recoveries through additional processing steps. The operational implication is that the company intends to begin generating a gravity concentrate product and recover a portion of contained ounces quickly, while maintaining a pathway to capture additional ounces later from material that gravity does not recover. This can be implemented through stockpiling of tails or intermediate products, or by blending and reprocessing strategies once additional circuits are installed. In that sense, the first phase is not just a mine plan. It is also a field validation exercise intended to shorten the route to a financeable, more optimized second phase.

Throughput and scalability sit at the center of this staged concept. Management has outlined a small initial operation built for roughly US\$2 million of initial capex and designed to start at around 200 tpd. It then plans to expand in Q4 2026 with roughly another US\$2 million of capex to lift throughput toward 1,200 tpd. Investors should view this as a deliberate decision to avoid overbuilding at the start. Expansion potential is only valuable if the first phase proves the ore and the operating environment support scale. That means early commissioning metrics and operating stability are disproportionately important. If the first phase demonstrates repeatable throughput, recoveries near expectations, and manageable operating costs, expansion becomes a credible and financeable next step. If the first phase struggles with feed variability, mechanical reliability, or recovery volatility,

scaling up would simply scale up the problem. The logic of the strategy is therefore to buy operational proof before spending heavily on full optimization.

Infrastructure and water are part of the investment case

Site preparation and infrastructure planning deserve equal attention because they determine whether the plant can operate sustainably. The plan includes water sourcing via boreholes with meaningful targeted flow rates, suggesting that process camp water availability is being treated as a core constraint. Water is typically one of the most underestimated factors in oxide operations. Even if geology and metallurgy cooperate, insufficient water supply can throttle throughput, degrade recovery, increase downtime, and force capital spend into emergency solutions. The decision to mobilize geophysical and drilling teams simultaneously is consistent with a desire to accelerate the water workstream and reduce the chance that water becomes a gating item during commissioning.

Civil works and drainage controls are another cornerstone. The earlier discovery of a drainage network conflict implies hydrology must be engineered properly to avoid plant pad erosion, flooding of access roads, and washouts that isolate equipment. The plan therefore includes layout adjustments, validation, and then execution. In a best practice framework, this should encompass appropriate road camber, culvert sizing, diversion channels, retention or settling structures for stormwater, and surface management around stockpiles and ROM pads. Management appears to understand that for a small mine in a developing jurisdiction, the line between a clean startup and a delayed startup often runs through earthworks, drainage, and logistics rather than metallurgy alone.

Operational readiness also requires local stakeholder engagement. Communication with local administration and community relations matters because a fully permitted project still requires social license maintenance, local hiring practices, vendor engagement, and proactive communication around site activity, water use, and environmental controls. As the project transitions from exploration style intermittent activity to continuous operations, this governance layer becomes part of the execution framework. That is relevant to valuation because a staged producer is worth more when the market believes it can actually start operating, not merely start operating.

The timeline underpinning this strategy is also increasingly explicit. Our base case assumes Barani East follows a straight critical path to a mid June 2026 go live. Under that framework, plant fabrication and factory acceptance are completed by March 2026, enabling shipment at month end. We then assume roughly seven weeks of maritime transport to Dakar, followed by late May port handling, customs clearance and inland delivery to site. In parallel, site preparatory works run through May and are substantially complete when equipment arrives, allowing immediate installation. Finally, we assume a late June assembly and commissioning window, culminating in initial startup in mid June 2026. The importance of this schedule is about precision rather than about sequencing.

Our valuation: a small mine that should fund itself

Our valuation framework reflects this change in the company's profile. Using the operating framework from the PEA and the staging assumptions, the Barani East small mine points to a business that can sustain itself once commissioned. The model assumes 96 kt processed in 2026 during ramp-up, then 432 ktpa from 2027 onward, with recovered grade of 0.96 g/t and a metallurgical recovery of 87%. That translates into roughly 2,578 ounces sold in the startup year, about 11,600 ounces through steady state, and 6,847 ounces in the final partial year. At a gold price of US\$2,850 per ounce, revenue rises from US\$7.35 million in 2026 to roughly US\$33.06 million annually in steady state.

The operating cost structure is equally straightforward in the model. Mining cost is set at US\$10.10 per tonne, processing at US\$13.90 per tonne, and G&A at US\$5.80 per tonne, for a total cash operating cost of approximately US\$29.80 per tonne on a per-ounce basis that equates to roughly US\$1,110 per ounce cash cost. On this basis, EBITDA is about US\$4.49 million in the startup year and around US\$20.19 million per year from 2027 through 2035. After depreciation and a 20% cash tax assumption, free cash flow is slightly negative in the startup year because the model places both the initial capex and the stage-2 capex into the upstart period, but it turns strongly positive thereafter at roughly US\$16.29 million annually in steady state. Cumulative free cash flow exceeds US\$155.9 million over the modeled mine life.

The crucial implication is that this is not being valued as a large, capital intensive mine build requiring repeated trips to the market just to get to operating scale. It is being valued as a modest starter operation with low upfront capital, rapid conversion of revenue into operating margin, and a realistic path to becoming self funding after commissioning. On the assumptions of the model, the project generates an NPV discounted at 10% of approximately US\$89.6 million. Those numbers are high because the capital burden is small relative to the potential cash generation. The project therefore has significance beyond its absolute production scale. It gives the company a mechanism to convert part of its mineral inventory into internally generated funding capacity.

Valuation impact of the Barani East gravity plant

The Barani East gravity plant is the most important new element in our valuation framework because it introduces a near-term, already financed production component into what has historically been a predominantly exploration and development story. In our sum-of-the-parts valuation, we assign the gravity plant a value of US\$89.6 million, making it the second-largest contributor to group intrinsic value after the Mali Oxide Project PEA valuation of US\$124.0 million. On this basis, the gravity plant accounts for approximately 36.6% of total group value of US\$244.8 million.

This is a meaningful shift in the structure of the valuation. The broader Mali Oxide Project, the Tiegba Project in Côte d'Ivoire, and the Mali non-PEA resources continue to support the company's strategic asset value, but the Barani East gravity plant adds a different category of value. It is not being valued primarily as long-dated geological optionality. Instead, it is being valued as an already financed, staged, and executable mine development with a credible route to near-term cash flow generation. In our view, that distinction is central to the investment case because public markets typically place greater value on assets that can move from permitting and planning into production on a visible timeline and with modest capital intensity.

The gravity plant therefore enhances both the magnitude and the quality of Desert Gold's valuation. Numerically, it adds US\$89.6 million to total intrinsic value. Strategically, it changes how the market can think about the company. Rather than valuing Desert Gold solely on what it owns in the ground, investors can increasingly begin to value it on what it may be able to monetize in the near term through a staged small-mine build that is already financed at the first phase. That matters because the company has now moved beyond a hypothetical funding discussion and into an execution phase where the key debate shifts toward delivery, ramp-up, and operating performance.

This also improves the balance of the sum-of-the-parts. The Mali Oxide Project remains the largest component at US\$124.0 million, or approximately 50.7% of total intrinsic value. The Tiegba Project contributes US\$9.5 million, or roughly 3.9%, while Mali non-PEA resources contribute US\$21.7 million, or around 8.9%. Against that backdrop, the gravity plant stands out not just for its size, but for its role as the company's clearest bridge between asset value and operating value. In other words, it is the component most directly linked to a potential re-rating from explorer-developer to emerging producer.

On a per-share basis, our total intrinsic value of US\$244.8 million translates into US\$0.68 per share based on 360.3 million shares outstanding. This is equivalent to CAD\$0.93 per share and EUR 0.59 per share. Within that total, the Barani East gravity plant contributes approximately US\$0.25 per share. That is a substantial portion of total equity value and reinforces our view that successful execution at Barani East is likely to be one of the most important determinants of share price performance over the next phase of the company's development.

In our view, the significance of the gravity plant extends beyond its standalone DCF contribution. Because the first phase is already financed, the project provides Desert Gold with something the market has not historically been willing to ascribe in full: a credible and funded path to internally generated cash flow. That would not only support the valuation of Barani East itself, but could also strengthen confidence in the monetization potential of the wider SMSZ portfolio. For that reason, we view the gravity plant as both a major valuation contributor in its own right and a catalyst capable of improving the market's valuation of the rest of the asset base.

You can download the research here: [20260317_Desert_Gold_Ventures_Note](#)

Contact for questions:

GBC AG

Halderstrasse 27

86150 Augsburg

0821 / 241133 0

research@gbc-ag.de

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