Baniaka PFS Outlines Robust, Scalable 5mtpa Iron Ore Operation

Major De-Risking Milestone Achieved

Genmin (GEN) has finalised the Preliminary Feasibility Study (PFS) for its flagship Baniaka iron ore project in Gabon (west Central Africa). The PFS outlines a 5mtpa conventional open-pit mine with low-risk processing and environmentally improved dry-stacked tailings over an initial 10-year mine life. Its estimates include capex of US$201m including ownership of key infrastructure (power transmission line and rail loadout facility), and average life-of-mine C1 operating costs of US$59/dmt (US$67/t AISC). Based on iron ore price assumptions for benchmark 62% iron ore fines, which average US$97/t (Baniaka product is expected to realise a significant premium to benchmark 62% fines), the PFS derives a post-tax NPV of US$391m/A$601m and IRR of 38%. This compares favourably to GEN's current market capitalisation of <A$100m.

Tip of the Iceberg Shows Project Potential

We see vast development potential at Baniaka underpinned by mineralisation which will allow scalability options to the project over time. While a maiden Ore Reserve of 101mt has been defined at Baniaka which underpins the PFS projections, this represents only a small fraction of the broader 760mt Global Mineral Resource at Baniaka which in itself represents less than one-fifth of the 85km defined strike. We believe that a doubling of capacity (to 10mtpa product) within 5 years of first production has strong potential, with the benefit of the logistics infrastructure established to support the 5mtpa operation. Efficiencies of scale as the project expands should support stronger margins, project economics and shareholder value creation.

Final Investment Decision on Track for Mid-CY2023

GEN has already given the go-ahead for pre-development works at Baniaka, and management targets confirmation of a final investment decision in the June quarter of 2023, only ~6 months away.

We believe the detailed work committed to the PFS, in particular the infrastructure solutions, demonstrate the commitment and vision of GEN's management team to develop Baniaka into a world-class iron ore export hub. Furthermore, the plan being deployed by GEN's leadership team in conjunction with backing from industry giant Anglo American gives us confidence that the project will be financed and delivered in a timely manner.

Valuation: A$0.61/Share (Previous A$0.65/Share)

Our risked valuation is A$0.61/share (previously A$0.65). The key to our valuation is the successful funding and development of Baniaka. We have remodelled GEN given the detail provided in the PFS. The key changes to our valuation assumptions include:

- higher capex and opex, offset by lower shipping charges. We see the long-term benefit of the additional up-front capex spend to reduce longer term risks in the project.
- a change to our risk / probability weighting of the project to 75% (from 66%), as we view the PFS as a major de-risking event. The increase in the weighting in our valuation almost offsets the effect of the increase in capex and opex.

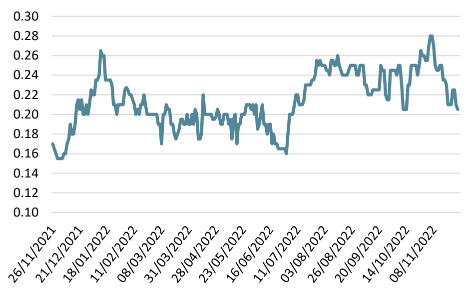
Genmin Ltd (GEN) is an African iron ore exploration and development company with projects in the Republic of Gabon. The company has invested ~US$35m developing a pipeline of iron ore projects in Gabon over 9 years prior to listing on the ASX. After raising $30m in a March 2021 IPO and releasing a PFS on Baniaka, GEN will now work towards a FID in CY2023 on an initial 5mtpa project. GEN's vision is to develop a long-life iron ore export hub in Gabon.

https://www.genmingroup.com/

Stock	Genmin Ltd (GEN)
Price	A$0.205
Market cap	A$86m
Valuation	A$0.61 (was A$0.65)

Next steps
1HCY23: Outcome regarding potential project funding and offtake with Anglo
2QCY23: FID

GEN share price from listing



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Key risks include access to funding, permitting, and securing capacity at key infrastructure links.

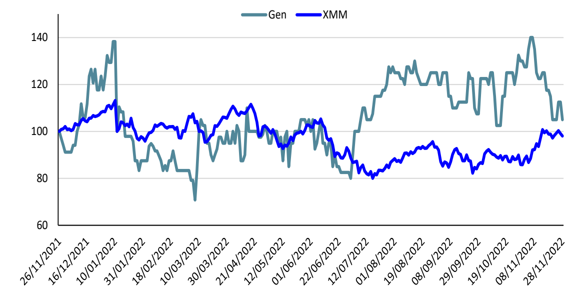
Exhibit 1 – Financial summary, year-end 31 December

GENMIN LIMITED — **GEN.AX**

Year end 31 December

Share Price	A$/sh	**0.21**
52 week high/low	A$/sh	0.26/0.14
Valuation	A$/sh	0.61
Market Cap (A$m)	A$m	84
Net Debt / (Cash) (A$m)	A$m	(12)
Enterprise Value (A$m)	A$m	72
Shares on Issue	m	411
Options/Performance shares	m	16
Other Equity	m	743
Potential Diluted Shares on Issue	m	1,169

12-Month Relative Performance vs S&P/ASX Metals & Mining



INVESTMENT FUNDAMENTALS		Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Reported NPAT	US$m	(2.8)	(4.0)	(5.3)	(5.3)	(5.4)
Underlying NPAT	US$m	(2.8)	(4.0)	(5.3)	(5.3)	(5.4)
EPS Reported (undiluted)	¢ps	(0.9¢)	(1.0¢)	(1.3¢)	(1.3¢)	(0.7¢)
EPS Underlying (undiluted)	¢ps	(0.9¢)	(1.0¢)	(1.3¢)	(1.3¢)	(0.7¢)
Underlying EPS Growth	%	n/a	n/a	n/a	n/a	n/a
P/E Reported (undiluted)	x	n/a	n/a	n/a	n/a	n/a
P/E Underlying (undiluted)	x	n/a	n/a	n/a	n/a	n/a
Operating Cash Flow / Share	A$	(0.01)	(0.02)	(0.02)	(0.02)	(0.01)
Price / Operating Cash Flow	x	(20.1)	(11.7)	(13.5)	(13.5)	(38.5)
Free Cash Flow / Share	A$	(0.02)	(0.03)	(0.02)	(0.02)	(0.26)
Price / Free Cash Flow	x	(12.8)	(6.3)	(9.0)	(8.9)	(0.8)
Free Cash Flow Yield	%	-7.8%	-15.8%	-11.1%	-11.3%	-127.6%
Book Value / Share	A$	0.08	0.10	0.11	0.13	0.15
Price / Book	x	2.6	2.0	1.8	1.6	1.3
NTA / Share	A$	0.08	0.10	0.11	0.13	0.15
Price / NTA	x	2.6	2.0	1.8	1.6	1.3
Year End Shares	m	300	405	405	405	1,169
Market Cap (spot)	A$m	62	83	83	83	240
Net Debt / (Cash)	A$m	0	(13)	(7)	(10)	66
Enterprise Value	A$m	62	70	76	73	306
EV / EBITDA	x	n/a	n/a	n/a	n/a	n/a
Net Debt / Enterprise Value		0.0	(0.2)	(0.1)	(0.1)	0.9

Resources

Class	Material	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI
Indicated	DID	67.1	47.4	15.9	8.0	0.072	0.076	7.5
	Soft Oxide	100.6	43.1	29.1	3.9	0.058	0.054	4.5
	Intact Oxide	61.5	37.0	39.0	3.2	0.059	0.052	3.1
	Total	**229.2**	**42.8**	**27.9**	**4.9**	**0.063**	**0.060**	**5.0**
Inferred	DID	5.8	41.8	21.3	10.2	0.067	0.071	7.3
	Soft Oxide	15.9	43.7	31.4	2.7	0.055	0.031	2.9
	Intact Oxide	19.3	36.7	42.1	2.6	0.057	0.033	2.0
	Primary BIF	488.6	33.5	44.5	2.3	0.58	0.84	1.2
	Total	**529.6**	**34**	**43.7**	**2.4**	**0.058**	**0.081**	**1.4**
Grand Total		**758.8**	**36.7**	**38.9**	**3.2**	**0.059**	**0.074**	**2.5**

Reserves

Class	Material	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI
Probable	DID	45.5	48.2	15.3	7.7	0.070	0.070	7.4
	HYB	2.1	35.9	25.8	12.9	0.060	0.070	8.6
	Soft Oxide	53.2	46.2	24.6	3.7	0.060	0.070	4.9
Total		**100.8**	**46.9**	**20.4**	**5.7**	**0.06**	**0.07**	**6.1**

Profit & Loss (US$m)	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Sales	0	0	0	0	0
Expenses	(3)	(4)	(5)	(5)	(5)
EBITDA	**(3)**	**(4)**	**(5)**	**(5)**	**(5)**
D&A	(0)	(0)	(0)	(0)	(0)
EBIT	**(3)**	**(4)**	**(5)**	**(5)**	**(5)**
Net Interest	(0)	(0)	(0)	0	0
Profit Before Tax	(3)	(4)	(5)	(5)	(5)
Tax	0	0	0	0	0
Underlying NPAT	**(3)**	**(4)**	**(5)**	**(5)**	**(5)**
Exceptionals	0	0	0	0	0
Reported Profit	**(3)**	**(4)**	**(5)**	**(5)**	**(5)**

Balance Sheet (US$m)	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Cash	1	13	7	10	9
Receivables	0	0	0	0	0
Inventory	-	0	-	-	-
PP&E	0	0	12	15	217
Other	24	29	29	29	29
Assets	**25**	**43**	**48**	**54**	**255**
Creditors	1	2	2	2	2
Debt	1	-	-	-	75
Leases	0	0	0	0	0
Provisions	-	-	-	-	-
Other	-	-	-	-	-
Liabilities	**2**	**2**	**2**	**2**	**77**
Net Assets	**24**	**41**	**47**	**52**	**178**

Cashflow (US$m)	Dec-20	Dec-21	Dec-22e	Dec-23e	Dec-24e
Cash From Operations	(2)	(5)	(4)	(4)	(4)
Interest	0	0	(0)	0	0
Tax	-	-	-	-	-
Net Cash From Operations	**(2)**	**(5)**	**(4)**	**(4)**	**(4)**
Capex	(0)	(0)	(0)	(0)	(200)
Exploration	(1)	(4)	(12)	(2)	(2)
Investments	-	-	10	-	-
Free Cash Flow	**(3)**	**(10)**	**(6)**	**(6)**	**(206)**
Equity	4	22	-	10	130
Borrowings	(0)	(0)	-	-	75
Dividend	-	-	-	-	-
Net Increase / (Decrease) in Cash	**1**	**12**	**(6)**	**4**	**(1)**

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Source: Company data, MST estimates

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PFS Summary:
Robust Stage 1 Development Plan With Significant Upside Optionality

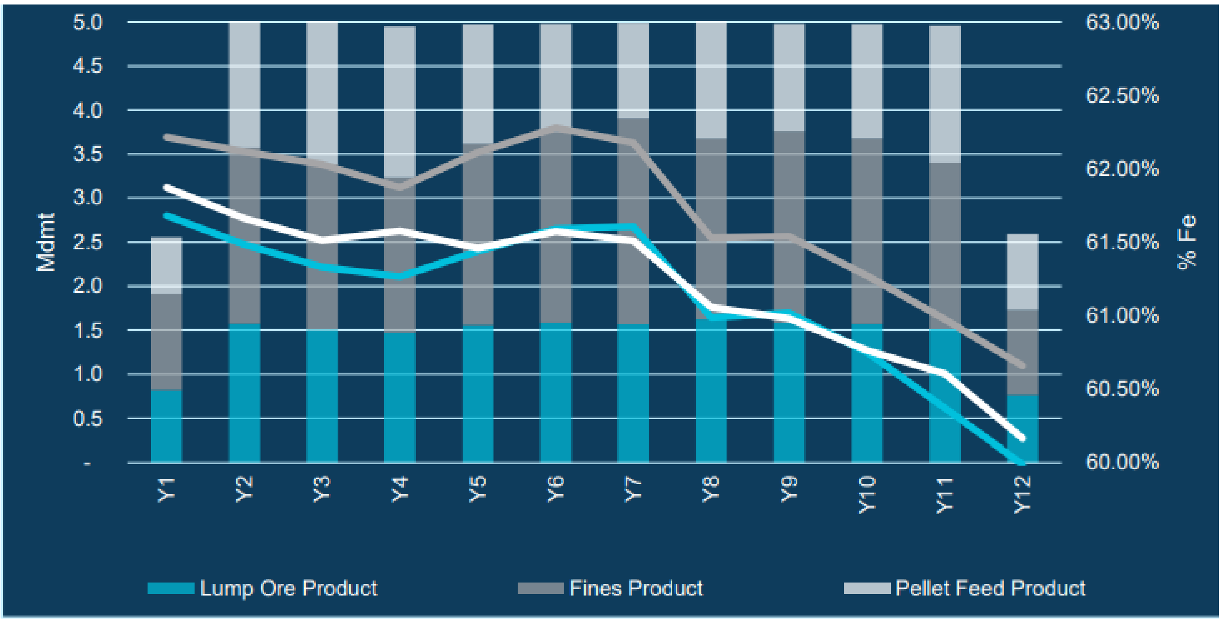
The publication of the Baniaka PFS is a major milestone in the execution of GEN's strategy to become a major African producer of high-quality iron-ore. We believe the project that has been defined is a conservative base-case scenario, with significant potential for expansion and optimisation given the scale of the defined Mineral Resource inventory at Baniaka, vs the small subset which underpins the current published PFS development scenario.

Key Metrics Outlined in PFS Development Scenario

- 101mt Ore Reserve
- an initial starter operation of 5mtpa (product) over a 10-year mine life
- planning for 10mtpa expansion and aspirational target of 25mtpa
- open-pit mine, conventional truck and shovel operation
- simple process plant flowsheet based on wet scrubbing, screening and gravity separation
- low-cost hydroelectricity power supply
- dry-stacked tailings disposal
- US$201m capital expenditure including ownership of key infrastructure links such as a dedicated power transmission line and rail loadout facility
- US$59/t C1 cash cost of operation (LOM average) and US$67/t AISC
- Final Investment Decision (FID) scheduled for mid-2023
- first production scheduled for mid-2024

The PFS provided a production schedule, as shown in Exhibit 2.

Exhibit 2 – Baniaka PFS production schedule



Source: Company reports.

Exhibit 3 illustrates the scale of the Baniaka tenement showing the prospects which underpin the PFS (highlighted in red).

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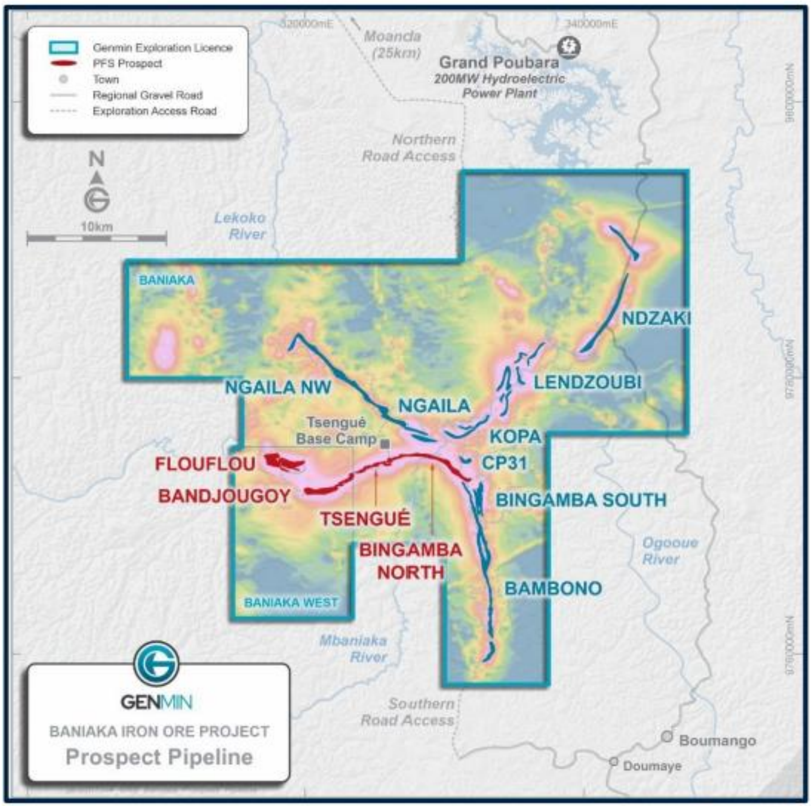
Exhibit 3 – Baniaka PFS prospects (in red) vs broader tenement



Source: Company reports.

Broader Potential at Baniaka

Over time, we believe the broader opportunity at Baniaka can be unlocked with the establishment of infrastructure solutions to access the seaborne export market and commercialise the vast geological opportunity which exists on GEN's tenements.

The maiden Ore Reserve estimate declared as part of the PFS includes 101mt of predominantly Detrital iron deposit (DID) and soft oxide mineralisation, grading 46.9% Fe.

Exhibit 4 – Baniaka Ore Reserve Estimate – November 2022

Class	Material	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI
Probable	DID	45.5	48.2	15.3	7.7	0.070	0.070	7.4
	HYB	2.1	35.9	25.8	12.9	0.060	0.070	8.6
	Soft Oxide	53.2	46.2	24.6	3.7	0.060	0.070	4.9
Total		**100.8**	**46.9**	**20.4**	**5.7**	**0.06**	**0.07**	**6.1**

Source: Company reports.

However, the broader mineralisation potential at Baniaka is significant. The Global Mineral Resource currently stands at 759mt (38% Fe), 30% of which is in the Indicated category at higher grades of 42.8% Fe. Therefore, the current Ore Reserve represents 44% of the Indicated Resources and just 13% of the total Mineral Resource estimate at Baniaka. With this in mind, along with the existence of further untested prospective exploration targets which will be subject to further advancement over time, our current financial model incorporates an initial Stage 1 5mtpa operation, expanding to 10mtpa in year 5 of production.

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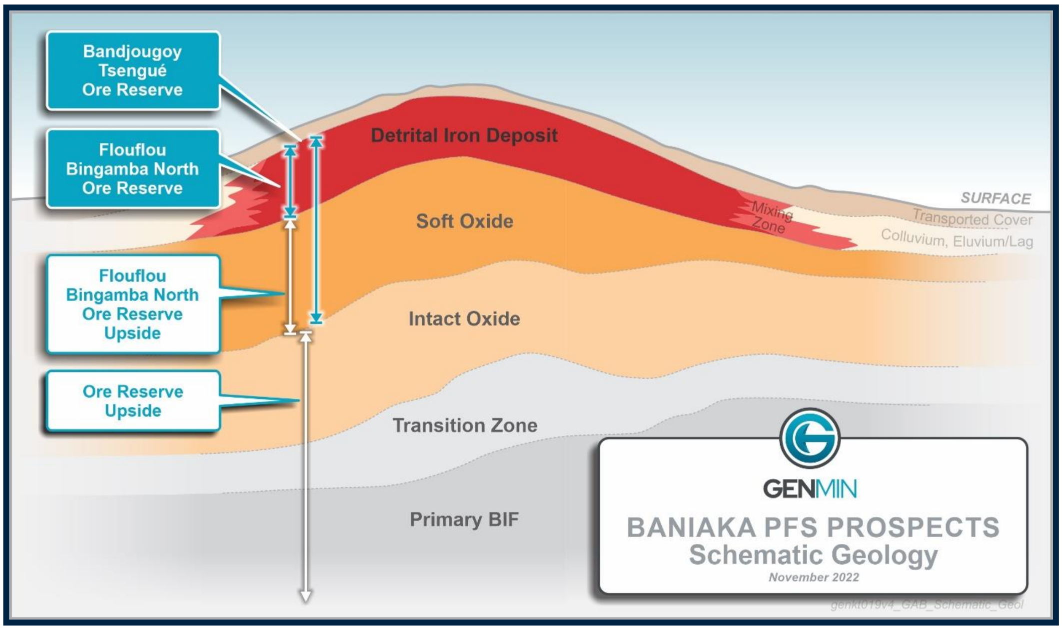
Exhibit 5 – Baniaka upside, scalable resources



Source: Company reports.

Comparing Our Expectations with the PFS

A few key components of the PFS results varied from our previous expectations (see Exhibit 6 for details):

- higher capex at US$201m vs our US$150m estimate
- higher AISC opex at US$67/t vs our US$47/t estimate
- earlier-than-anticipated first production target at mid-2024 vs our 2025 estimate
- LOM production of 55.3mt vs our 81.9mt estimate (we incorporated Stage 2 expansion).

Exhibit 6 – Baniaka PFS: key metrics vs pre and post PFS MST model assumptions

PFS ANALYSIS	Units	PFS	New MST estimate	Previous MST estimate
Mine Life	years	10.0	10.0	10.0
Stage 1 Production	mtpa	5.0	5.0	5.0
Stage 2 Production	mtpa	n/a	10.0	10.0
LOM Strip Ratio	w:o	0.2	1.0	1.0
LOM Ore Processed	mt	101	139	139
Mass Yield	%	55%	59%	59%
LOM Production	mt	55.3	81.9	81.9
Stage 1 Capex	US$m	201	200	150
Stage 2 Capex	US$m	n/a	250	140
AISC (US$/dmt)	US$/t	67.0	65.0	47.9
Government Royalty Rate	%	7.5%	7.5%	7.0%
Product Shipping & Insurance (Gabon to Northern China)	US$/t	15.0	22.0	30.0
Discount Rate	%	8.0%	10.0%	10.0%
Benchmark 62% Fines (US$/dmt CFR China)	US$/t	97.0	100.0	100.0
Baniaka Lump Premium	US¢/dmtu	26.8c per unit	26.8c per unit	35c per unit
Baniaka Fines Premium	%	17.0%	21.2%	21.0%
First Production Target		mid-2024	2025	2025
NPV Post-Tax	US$m	391	693	720

Source: Company reports, MST estimates.

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Given current cost inflation which is prevalent broadly across the global economy (particularly with regard to heavy industrial projects), the higher capex and opex assumptions versus our estimates are unsurprising. However, GEN has made highly strategic decisions about critical infrastructure which, while adding to capex requirements, provide important de-risking moves which fortify the project certainty and long-term optionality. These include:

- a dedicated power transmission line from the Grand Poubara hydro plant
- a rail loadout facility providing an interconnection to the logistics corridor on the Trans-Gabon Railway.

Exhibit 7– Baniaka PFS capital cost estimates

Cost Area	US$M
Accomodation village and processing site preparation	12
Processing facility	82
Non-process infrastructure	21.7
Power supply and transmission	20.7
Haul road, fleet and rail siding	44.8
Surface water management ad rejects storage	3.3
EPC	6.2
Owners Costs	10.1
Total	**200.8**

Source: Company reports.

As Exhibit 7 illustrates, the power transmission and haul road, fleet and rail siding infrastructure account for substantial components of the overall capital expenditure requirement (~US$65m or 32% of the total capital expenditure budget).

Strategic View on Critical Infrastructure

The decision to own and control critical elements of the project infrastructure provides both de-risking benefits as well as potential opportunistic upside over the medium term. We view these decisions as sensible, indicating a management team with a very long-term, diligent strategy of effective project execution and value realisation.

Power

The project will source power from the Grand Poubara Hydro station, which is 40km north of Baniaka and has excess capacity within its current 160MW capacity. GEN is in the process of converting an MoU for 30MW of reserved power supply (agreed in April 2022) to a binding commercial agreement. GEN expects the cost to be less than US$0.10/kWh which is extremely competitive, particularly compared to site-based diesel generation alternatives which create cost pressures for many mining operations at present. To provide connection to the site, a transmission line is required. GEN has elected to own this critical infrastructure link in order to provide certainty of supply over the long run.

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Exhibit 8 – Grand Poubara Hydroelectric Power Station

Source: Company reports.

Logistics – Port and Rail MOU's in Place

The existing Trans-Gabon Railway (TGR) provides a transport solution for Baniaka's potential production to the export port of Owendo. GEN currently has a commercial offer from the Owendo Mineral Port for a 15-year mine-to-ship logistics solution including required rolling stock. As such, the crucial element is the transport link for Baniaka product from the mine to the existing TGR.

In connecting to the TGR, GEN considered 2 scenarios: (1) trucking haulage to a new load-out rail terminal located near Franceville or (2) building a new 65km rail spur line to Baniaka from the existing TGR (estimated to cost US$170m and to take 12–36 months to build). GEN concluded that, based on a 5mtpa project, the road haulage option was preferable. However, we expect that with the potential expansion to 10mtpa, the scale of material movement will necessitate the construction of the rail spur to support Stage 2 expansion plans and beyond with an aspirational target of 25mtpa.

Exhibit 9 – Baniaka location and the Trans-Gabon Railway

Source: Company reports.

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GEN believes the rail load-out facility provides broader potential benefit beyond Baniaka, including potential commercial opportunities or partnerships for other assets in the area. As such, while the construction of the rail spur would negate the need for the load-out facility (meaning the phased development approach leads to some duplication of infrastructure), GEN is confident that owning this infrastructure will provide further medium-term opportunities.

Financing – Anglo a Key to the Project Funding and Offtake

GEN recently announced an innovative agreement with globally diversified miner Anglo American which included:

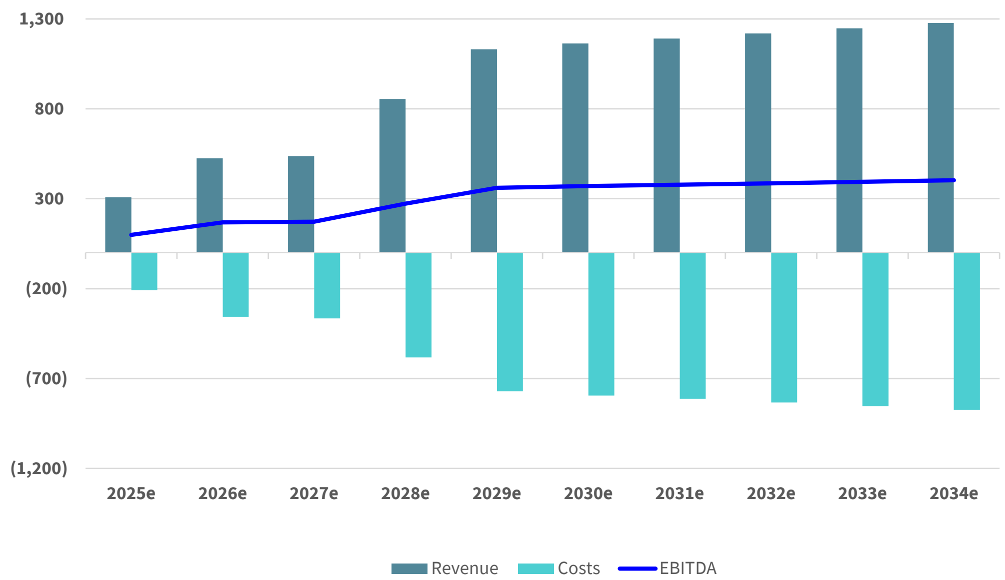
- a 1% royalty for Anglo in exchange for a US$10m up-front payment to GEN (now on balance sheet)
- potential offtake of up to 100% of Baniaka's production
- potential funding of up to US$75m for project development.

The PFS estimates Phase 1 development capex of US$201m to bring Baniaka into production at 5mtpa, implying that if an agreement is finalised with Anglo in line with these forecasts, Anglo funds would provide approximately 38% of the funding envelope for Phase 1 development. The PFS release means that Anglo will now commit to confirmatory DD on Baniaka. This will allow Anglo to make a final decision about providing debt funding of at least US$75m towards the project. Anglo has demonstrated confidence in the project with an initial $10m of funding in exchange for a 1% royalty.

We assume the balance of required project development funding of US$126m can be secured on the back of a favourable agreement with Anglo. In our financial model we assume this funding is secured at 25¢/share. However we see upside potential in the level of funding that Anglo may provide (eg 50% of new capital budget), which would further reduce the equity portion of the project funding.

At 30 September 2022 GEN had US$7.7m of cash. We have assumed a small capital raising of US$10m in CY2023 to allow GEN to progress the Baniaka project, allow for ordering of long lead items and get through to the financing stage of Baniaka. We also acknowledge that at the end of confirmatory DD, Anglo may provide GEN with further pre-project funding, hence reducing the need for additional equity capital.

Exhibit 10– MST estimates of Revenue, Costs and EBITDA for Baniaka project



Source: Company reports.

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Valuation: Risked NPV of A$0.61/Share (Previous A$0.65)

Base-Case Valuation Methodology: SOTP with Risk-Weighted DCF for Baniaka

We value GEN using sum-of-the-parts methodology, adopting a risk-weighted DCF analysis for the Baniaka project and high-level estimates for the remaining projects. Baniaka is the cornerstone asset and accounts for almost all of the overall valuation derived for GEN; we have assigned nominal value to the other assets. We believe that the value attributed to the other assets is largely contingent on Baniaka's success, given that any obstacles in its development are likely to be regional issues (e.g., permitting, infrastructure access) rather than specific to the Baniaka deposit.

The project is now at the PFS stage of development, and its technical and economic parameters are subject to some degree of uncertainty. However, we see the level of detail, technical assessment and depth of analysis in ascertaining capex and opex as being somewhat akin to the BFS/DFS level. Accordingly, GEN has decided to proceed straight to FID in CY2023. Our estimates are reliant upon the disclosures in the PFS.

Our valuation has reduced marginally, driven predominantly by the higher capex and opex estimates in the PFS compared to our previous assumptions. We note, however, that GEN has made the strategic decision to spend extra capex on a dedicated power transmission line from the Grand Poubara hydro plant and a rail loadout facility providing an interconnection to the logistics corridor on the Trans-Gabon Railway.

This decision to own and control critical elements of the project infrastructure provides both de-risking benefits as well as opportunistic upside over the medium term.

The increase in capex and opex has been offset by a decrease in our shipping cost estimate and an increase in the risk weighting we apply to our valuation, which we have increased to 75% from 66% reflecting the de-risking of the project via the PFS.

Risked NPV of A$0.61/share (previous A$0.65); substantial medium-term upside potential

We value GEN at A$0.61 per share (previous: A$0.65). We see exploration upside potential as significant given a relatively small component of the Baniaka prospects has been explored. Over the medium term there are a number of potentially significant upside scenarios which are not captured within our base-case estimates, primarily relating to potential additional exploration success and subsequent increases in production and/or extension of mine life.

Our valuation assumes a 10-year bulk open-pit mining operation at Baniaka with an initial 5mtpa operation, followed by an expanded 10mtpa operation commencing in Year 3 of production (after completion of a rail spur).

Changes to our model

We have made numerous revisions to our financial model following publication of the PFS including:

- increased Stage 1 capex from US$150m to US$200m
- increased Stage 2 capex from US$140m to US$250m
- increased AISC assumptions from US$47/t to US$65/t
- decreased shipping costs from US$30/t to US$22/t (GEN estimate: US$15/t; our new estimate represents the midpoint of our previous estimate and GEN's PFS estimate)
- updated Baniaka lump premium from 35¢/dmtu to 26.8¢/dmtu
- revised risk weight from 66% to 75% to account for de-risking milestone realised at the PFS
- increased equity funding requirement from US$75m to US$125m
- revised equity funding price from 20¢/share to 25¢/share to reflect the strengthened share price.

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Exhibit 11 – Valuation summary

NPV OF PROJECTS	US$M	Ownership	Risk Weight	A$M	A$/share
Baniaka	693	90%	75%	668	0.57
Bakoumba (Advanced Expl.)	30	100%	50%	21	0.02
Minvoul/Bitam (Early Expl.)	10	100%	50%	7	0.02
Exploration and Investments	30	100%	50%	21	0.01
ENTERPRISE NPV	**763**			**718**	**0.62**
Corporate Costs	(21)	100%	100%	(30)	(0.02)
Net Cash (Debt)	8	100%	100%	12	0.01
TOTAL	**750**			**701**	**0.61**

WACC	**10.0%**
AUDUSD	0.70
Shares on issue (Undiluted)	411
Options and Rights	16
Additional Equity Required	743
Shares on issue (Fully Diluted)	**1,170**

Source: MST estimates.

Exhibit 12 – Key valuation assumptions

PROJECT ASSUMPTIONS	
Project Ownership (Govt 10% participation right) (%)	90%
Processing Plant Throughput (mtpa) - Stage 1	8.3
Processing Plant Throughput (mtpa) - Stage 2	16.7
Life-of-Mine Average Recovery (%)	60%
Mine Life (years)	10.0
Life-of-Mine Strip Ratio (waste:ore)	1.0
Stage 1 Production (dmt)	5.0
Stage 2 Production (dmt)	10.0
Baniaka Mineral Resource (mt)	759
Grade (% Fe)	37%
Baniaka Reserve (mt)	101
Grade (% Fe)	46.9%
COST & FINANCING ASSUMPTIONS	
Discount Rate (%)	10%
Stage 1 Capital Cost (US$m, real)	200
Stage 2 Capital Cost (US$m, real)	250
Life-of-Mine Average AISC (US$/dmt, real)	65
PRICING & EXCHANGE RATE ASSUMPTIONS	
AUDUSD	0.70
Benchmark 62% Fines (US$/dmt CFR China)	100
Premium Received 63% Lump	26.8c per unit
Premium Received 67% Fines	21%
Government Free Carry (%)	10%
Tax Rate (%)	35%

Source: MST estimates.

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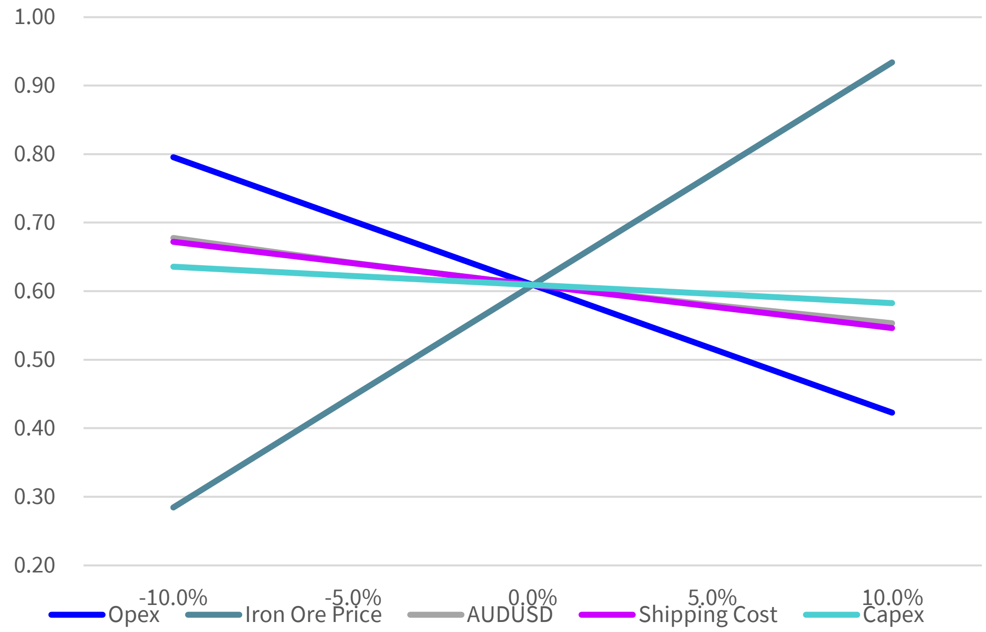
Exhibit 13 – Key sensitivity components



Source: MST estimates.

Positive Catalysts for the Share Price and Valuation

Funding of project

The funding of a relatively large project for a small company is always a major challenge. Delivery of a competitive funding package, including level of Anglo funding and the offtake agreement for the project would be a major catalyst for the stock.

Binding infrastructure agreement

GEN currently has a non-binding MOU with regards to the port and rail infrastructure solution which is expected to transport mine product to export markets. Any binding agreements with firm visibility on capacity allocations and costs would be a significant de-risking catalyst for the project.

Final Investment Decision

GEN is targeting FID in CY 2023, some 6 months away. FID is the key decision for the project to progress.

Early project delivery

The early commencement of any of the projects would generate cash flows sooner and would reflect positively on management, which would likely boost the valuation.

Resource development

Exploration success which leads to significant upside in tonnes or grade at Baniaka, or significant discoveries at other key assets would be a significant positive development for the prospects of the project and the overall valuation.

Further exploration success

Another key valuation driver is successful exploration, which remains a priority for the company. We see significant potential for further exploration success, which would be positive for the stock.

Price increases

The valuation is sensitive to the iron ore price. Iron ore price increases would have a positive effect on the valuation and share price.

Capital cost and/or operational cost savings

Capital and operational cost savings would benefit the valuation and would reflect positively on management. GEN will continue to optimise the project costs as it goes towards FID

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Risks to the Share Price and Valuation

We highlight the key risks to the share price and our valuation below, noting that early-stage mining projects in developing countries have a number of key risks which need careful management and consideration.

Macro risks

These include:

- **general geopolitical risks**
- **iron ore price decreases** – this is the key valuation sensitivity
- **foreign exchange rates.**

Country-specific risks

These include:

- **political** transition and social unrest
- **regulatory** changes
- **reliability of infrastructure**
- **local workforce:** access to sufficient numbers of capable local workers
- **supplies:** access to critical mine consumables
- **community opposition** – this could include issues such as compensation for land access, exploration activity, employment opportunities, and impact on local business, and could lead to local dissatisfaction, disruptions in the exploration program and potential losses to the company.

Company- and project-specific risks

These include:

- **delays to FID:** the FID is a key decision for the company representing the decision to go ahead on the project.
- **access to funding:** there is no guarantee that sufficient funding will be available to advance or develop the project. The inability to secure funding would be a major negative for the stock. The key risk lies around Anglo's decision to provide a significant portion of debt funding and an offtake agreement.
- **delays to project delivery:** such delays would have a negative effect on the valuation and may reflect negatively on management
- **commercialisation risk:** an inability to commercialise projects, due to a failure to obtain approvals, secure funding for construction or get infrastructure capacity allocations to transport the product to market, would undermine the viability of the business and have a negative impact on the share price
- **key person dependence** on individuals including the CEO whose relationships and experience are critical to the advancement of the project. The loss of key personnel would significantly compromise the ability of the company to advance the project
- **increase in project capital cost and/or operational cost.**

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