

11 January 2024

# Baniaka Mining Permit Issued: Major Step Forward for Project

## NEED TO KNOW

- Baniaka 20-year large scale Mining Permit issued
- New Government in Gabon delivers fast approval
- Next steps capital raise for working capital, project funding and investor site visits

**20-year Mining Permit issued:** a large-scale, twenty-year mining permit has now been issued for GEN's 100% owned Baniaka iron ore project. The Mining Permit was issued through a Presidential Decree. The Mining Permit is a major milestone for the company authorising the production of iron ore from Baniaka for an initial term of 20 years.

**Regime change in Gabon – fast and efficient approval of Mining Permit:** Gabon's new government was formed in September after a non-violent coup effected a swift regime change, with business returning to normal quickly. Genmin (GEN) commenced positive dialogue with the transitional government at a late September meeting with the new Minister of Mines. The subsequent signing of the Mining Permit via presidential decree on 29th December 2023 and presentation to the Company on 8<sup>th</sup> January 2024 demonstrates the new Government's commitment to streamlining timeframes for new economic development. The Company's leadership are currently in-country.

**Next Steps – Short Term Capital; Long Term Funding and Production target of Q2 CY2025:** GEN is focused in the short term on completing a proposed capital raising to provide working capital and returning the Company's shares to trading on the ASX as soon as possible. Progressing and finalising discussions with potential project financiers over the next two quarters is also a focus, with a target date for the commencement of production by the end of Q2 CY2025. GEN will host potential financiers at Baniaka in the coming weeks.

## Investment Thesis

**Baniaka a long-life, project with large expansion potential:** Baniaka's 100 million tonne (Mt) reserve and 758Mt resource supports a large-scale iron ore mine. Initial planned production is 5Mt per annum (Mtpa), expanding to 10Mtpa within the first few years of operation, with an aspirational target of 20Mtpa+.

**High-quality product with premium pricing, green credentials:** Independent value-in-use test work has verified that Baniaka's products are high-quality, contribute to energy efficiency and lower emissions and will attract a substantial premium to the benchmark iron ore price; they have attracted offtake interest from Baowu and Hunan Iron. In securing long-term renewable hydroelectricity supply to power Baniaka, GEN aims to provide lower carbon intensity raw materials, trademarked as BaniakaGreen<sup>®</sup>.

**Established infrastructure underpins strong iron ore production, sales potential:** Iron ore is a bulk commodity that requires robust infrastructure to support production and route to market. GEN has secured access to quality bulk haulage rail & port and power infrastructure with established, proven partners, providing key operational and capital cost advantages and an established route to global iron ore markets. Hydroelectric power supply boosts ESG credentials, with a long-term supply agreement locked in for 100% clean, renewable power.

## Valuation A\$0.51 (Unchanged); Baniaka the key

The key to our risked valuation of A\$0.51/share is the successful funding and development of Baniaka.

## Risks

Key risks include access to funding (debt and equity), government stability and execution of project construction.

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## Equities Research Australia

### Metals and Mining

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Genmin Ltd (GEN) is an emerging African iron ore producer with projects in the Republic of Gabon. GEN has invested ~US\$35m in developing a pipeline of iron ore projects in Gabon over the nine years prior to listing on the ASX. After raising US\$30m in a March 2021 IPO and releasing a PFS on Baniaka, GEN is now working towards FID on a starter 5Mtpa project. GEN's vision is to develop a long-life iron ore export hub in Gabon and deliver lower carbon intensity raw materials to markets to minimise logistic chain carbon contribution, and enhance its value proposition to potential offtakers, spot customers, and investors.

<https://www.genmingroup.com/>

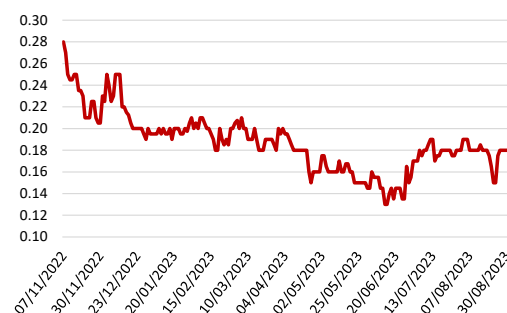
Valuation	<b>A\$0.51</b> (unchanged)
Current price	<b>A\$0.18</b> (trading suspension current)
Market cap	<b>A\$81m</b>
Cash on hand	<b>US\$0.324m</b> (30 September 2023)

## Upcoming Catalysts and Newsflow

### Period

Q1 CY24	WC cap raise and ASX trading recommence
1HCY24	Finalisation of project funding
Q2 CY25	GEN target first production

## Share Price (A\$) – until suspension



Source: FactSet, MST Access.

## Financial Summary: Genmin Ltd

Year end 31 December		
Share Price	A\$/sh	<b>0.18</b>
52 week high/low	A\$/sh	0.25/0.13
Valuation	A\$/sh	0.51
Market Cap (A\$m)	A\$m	81
Net Debt / (Cash) (A\$m)	A\$m	(1)
Enterprise Value (A\$m)	A\$m	80
Shares on Issue	m	452
Options/Performance shares	m	10
Other Equity	m	912
Potential Diluted Shares on Issue	m	1,373

INVESTMENT FUNDAMENTALS		Dec-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Reported NPAT	US\$m	(4.0)	(7.3)	(6.3)	(6.6)	15.5
Underlying NPAT	US\$m	(4.0)	(7.3)	(6.3)	(6.6)	15.5
EPS Reported (undiluted)	¢ps	(1.0¢)	(1.8¢)	(1.6¢)	(0.7¢)	1.1¢
EPS Underlying (undiluted)	¢ps	(1.0¢)	(1.8¢)	(1.6¢)	(0.7¢)	1.1¢
Underlying EPS Growth	%	n/m	n/m	n/m	n/m	n/m
P/E Reported (undiluted)	x	n/m	n/m	n/m	n/m	10.7
P/E Underlying (undiluted)	x	n/m	n/m	n/m	n/m	10.7
Operating Cash Flow / Share	US\$	(0.02)	(0.02)	(0.02)	(0.01)	0.02
Price / Operating Cash Flow	x	(9.6)	(7.6)	(10.6)	(30.9)	8.4
Free Cash Flow / Share	US\$	(0.03)	(0.02)	(0.02)	(0.22)	0.02
Price / Free Cash Flow	x	(5.2)	(7.5)	(7.4)	(0.8)	11.6
Free Cash Flow Yield	%	-19.4%	-13.4%	-13.4%	-124.4%	8.6%
Book Value / Share	US\$	0.10	0.12	0.10	0.11	0.13
Price / Book	x	1.8	1.5	1.8	1.7	1.4
NTA / Share	A\$	0.15	0.18	0.15	0.16	0.19
Price / NTA	x	1.2	1.0	1.2	1.1	1.0
Year End Shares	m	405	405	452	1,373	1,373
Market Cap (spot)	A\$m	73	73	81	247	247
Net Debt / (Cash)	A\$m	(19)	(10)	1	147	126
Enterprise Value	A\$m	54	63	83	394	373
EV / EBITDA	x	n/m	n/m	n/m	n/m	2
Net Debt / Enterprise Value		(0.2)	(0.1)	0.0	1.8	1.6

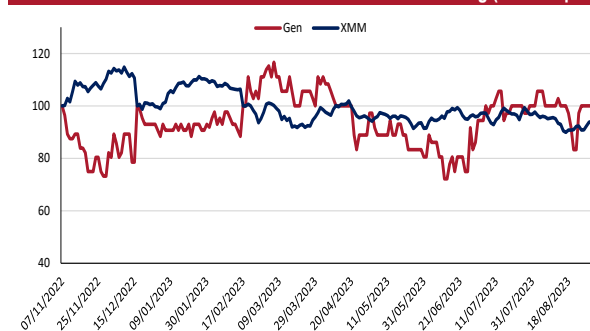
### Resources

Class	Material	Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	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
	<b>Total</b>	<b>229.2</b>	<b>42.8</b>	<b>27.9</b>	<b>4.9</b>	<b>0.063</b>	<b>0.060</b>	<b>5.0</b>
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
	<b>Total</b>	<b>529.6</b>	<b>34</b>	<b>43.7</b>	<b>2.4</b>	<b>0.058</b>	<b>0.081</b>	<b>1.4</b>
<b>Grand Total</b>	<b>758.8</b>	<b>36.7</b>	<b>38.9</b>	<b>3.2</b>	<b>0.059</b>	<b>0.074</b>	<b>2.5</b>	

### Reserves

Class	Material	Tonnes (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	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
<b>Total</b>	<b>100.8</b>	<b>46.9</b>	<b>20.4</b>	<b>5.7</b>	<b>0.06</b>	<b>0.07</b>	<b>6.1</b>	

### 12-Month Relative Performance vs S&P/ASX Metals & Mining (until suspension)



Profit & Loss (US\$m)	Dec-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Sales	-	-	-	-	102
Expenses	(4)	(7)	(6)	(6)	(76)
<b>EBITDA</b>	<b>(4)</b>	<b>(7)</b>	<b>(6)</b>	<b>(6)</b>	<b>26</b>
D&A	(0)	(0)	(0)	(0)	(3)
<b>EBIT</b>	<b>(4)</b>	<b>(7)</b>	<b>(6)</b>	<b>(7)</b>	<b>23</b>
Interest	(0)	(0)	0	(0)	(1)
Tax	-	-	-	-	(7)
<b>NPAT</b>	<b>(4)</b>	<b>(7)</b>	<b>(6)</b>	<b>(7)</b>	<b>15</b>
Exceptionals	-	-	-	-	-
<b>Reported Profit</b>	<b>(4)</b>	<b>(7)</b>	<b>(6)</b>	<b>(7)</b>	<b>15</b>

Balance Sheet (US\$m)	Dec-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Cash	13	6	2	14	29
Receivables	0	0	0	0	8
Inventory	0	-	-	-	5
PP&E	0	15	18	220	222
Other	29	29	29	29	29
<b>Assets</b>	<b>43</b>	<b>51</b>	<b>49</b>	<b>264</b>	<b>294</b>
Creditors	2	2	2	2	8
Debt	-	-	3	113	113
Leases	0	0	0	0	0
Provisions	-	-	-	-	-
Other	-	-	-	-	-
<b>Liabilities</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>115</b>	<b>122</b>
<b>Net Assets</b>	<b>41</b>	<b>49</b>	<b>44</b>	<b>149</b>	<b>172</b>

Cashflow (US\$m)	Dec-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Cash From Operations	(5)	(7)	(5)	(5)	27
Interest	0	(0)	0	(0)	(1)
Tax	-	-	-	-	(7)
<b>Net Cash From Operations</b>	<b>(5)</b>	<b>(7)</b>	<b>(5)</b>	<b>(5)</b>	<b>20</b>
Capex	(0)	(0)	(0)	(200)	(3)
Exploration	(4)	(15)	(2)	(2)	(2)
Investments	-	15	-	-	-
<b>Free Cash Flow</b>	<b>(10)</b>	<b>(7)</b>	<b>(7)</b>	<b>(208)</b>	<b>14</b>
Equity	22	-	-	110	-
Borrowings	(0)	-	3	110	-
Dividend	-	-	-	-	-
<b>Net Increase / (Decrease) in Cash</b>	<b>12</b>	<b>(6)</b>	<b>(4)</b>	<b>12</b>	<b>14</b>

Source: GEN and MST Estimates

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# Significant Milestone – Mining Permit Issued

## Pre-Development Status – Project Funding and FID work underway

Baniaka is now significantly advanced. GEN has previously noted the following steps remaining to FID:

1. Submission of large-scale mining permit application – **completed** ✓
2. Receipt of environmental approval with issue of certificate of environmental conformance – **completed** ✓
3. Receipt of the large-scale mining permit – **completed** ✓
4. Finalisation of project financing & FID – **capital raise for short term WC, project funding over next 2 quarters, production targeted Q2 CY2025**

## Mining permit – new government sign-off achieved quickly

The mining permit is a licence issued by a decree of the government, conferring upon its holder an exclusive mining right. The term of a large-scale mining permit can be either 10 years (renewable as many times as necessary for periods of 5 years), or 20 years (renewable as many times as necessary for periods of 10 years).

GEN has been issued a large-scale, Mining Permit or an initial term of 20 years for its 100% owned Baniaka iron ore project. The Mining Permit was issued through a Presidential Decree on 29<sup>th</sup> December 2023. The President invited the company to Gabon to be presented with the Mining Permit on January 8<sup>th</sup>, 2024.

## New Government demonstrates commitment to economic development with fast and efficient sign-off

Gabon has been relatively stable since the west-central African country became independent from France in 1960. Omar Bongo was the country's long-serving president, ruling the country from 1967 until his death in 2009. After his death, Omar Bongo's son Ali Bongo was elected president, having held senior positions in government during his father's presidency. Ali Bongo remained in office until the recent non-violent coup, which occurred on 30 August 2023.

Gabon's interim leader is the previous leader of the country's Presidential Guard, General Brice Oligui Nguema.

The presidential decree for the mining permit was signed on December 29<sup>th</sup>, 2023, only 4 months after the establishment of the new government.

With Gabon's economy so dependent on the oil and gas sector, and the transitional government's rise to power seemingly aided by criticising the prior government's slow progress on economic development, the speed and efficiency of the issuance of the Mining Permit demonstrates the new Government's commitment to streamlining timeframes for economic growth, and shows the potential of Baniaka to be an example of the Government's ability to foster new projects and the new leadership's legitimacy, capability and commitment to democracy.

## Coming up next – short term funding, project finance

### Capital raise and return to trading on ASX

With the Mining Permit issued, GEN aims to raise capital to cover short-term Working Capital requirements and return the Company's shares to trading on the ASX as soon as possible.

### Project Finance complete by 2Q CY2024

GEN is progressing and finalising discussions with potential project financiers over the next two quarters with the aim to have financing complete by 2Q CY2024.

The PFS completed in November 2022 estimates Phase 1 development capex of US\$200m to bring Baniaka into production at 5Mtpa. We currently assume the project is funded 50/50 with debt and equity, implying ~US\$100m of required project debt financing. We expect that the receipt of the Mining Permit will attract significant investment interest in the long-term value proposition offered by Baniaka.

### Production target late 2Q CY2025

GEN has consistently stated the construction period for the Baniaka project will be around 1 year, and with financing targeted for 2Q CY2024, GEN predicts first production in 2Q CY2025.

With the project now significantly de-risked, Baniaka's strategic position as a pioneering asset in an emerging iron ore nation is coming close to FID and proceeding into full construction.

## While the Mining Permit was in progress, Baniaka continued forward

In recent months, another notable milestone has been achieved at Baniaka.:

- non-binding MoUs signed with offtakers Baowu Resources (largest steel producer globally) and Hunan Iron (major FMG shareholder) - management note advances in the positioning of Baniaka's iron ore products (Baniaka Green®) in the key Chinese market.

GEN has a total of four non-binding MoUs signed with Chinese counterparties (see Figure 2), representing a total offtake volume of 19Mt over initial 2–3 year terms.

**Figure 1: GEN's non-binding offtake MOUs with Chinese counterparties**

Partner	Term (Years)	Mtpa	Total (Mt)
Baowu Resources Co.Ltd	2	2.1	4.2
Jianlong Group	2	2.0	4.0
China Minmetals Corp	3	2.0	6.0
Hunan Iron and Steel Group Co. Ltd	2	2.4	4.8

Source: GEN.

## Hunan Iron & Steel – Could the FMG Playbook Repeat?

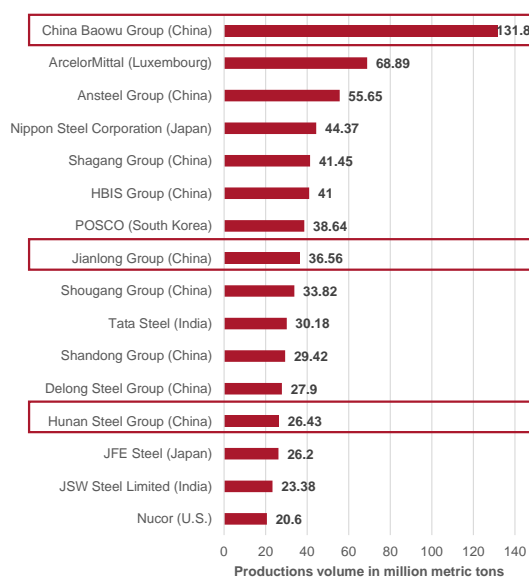
The offtake agreement signed with Hunan Iron & Steel in August has broader potential for GEN's strategic development, in our view, given Hunan's successful track record of taking equity stakes in iron ore projects where it is also a customer. In 2009 Hunan acquired a 16.5% position in FMG for \$1.2 bn, with Hunan's commentary at the time indicating that the support for FMG was aimed at supplying the capital necessary to underpin FMG's ongoing project pipeline development.

One of the key strategic advantages of Gabon's emerging iron ore export industry is the ability for Chinese customers to diversify exposure away from over-reliance on Australian suppliers, where geopolitical tensions have escalated in recent years between China and Western governments. As such we believe that Chinese steel producers will be keenly observing the current leadership transition in Gabon with a view to providing support to emerging significant resources projects such as Baniaka if required.

Hunan Iron is currently FMG's second-largest shareholder with a 8.7% stake worth ~A\$7.4bn, with sales of several parcels over the years netting significant proceeds on the original investment.

The timing of Hunan Iron's offtake is also notable, given the near-term potential of the final equity raising to support project construction, providing a looming liquidity window for large stakeholders to take a position in GEN ahead of the GEN's potential transition from developer to producer.

**Figure 2: Largest Crude Steel Producers Globally – 2022 (MOU's with Genmin highlighted)**



Source: Statista.

## AAML Financing on Hold Pending More Clarity

Anglo American (AAML) has been GEN's key partner in securing project financing. Previously, AAML had been targeting a co-financing plan whereby a partner was sought in providing the project finance requirement for construction of Baniaka. Further, AAML had also planned to provide short-term funding through a non-dilutive US\$5m royalty.

With the regime change, AAML is monitoring the changed political situation in Gabon before proceeding with work for approval of a term sheet for project finance.

## Voluntary Suspension of Trading Until 12 January, 2024

GEN has requested the voluntary suspension of its securities granted pursuant to ASX Listing Rule 17.2 to continue to 12 January 2024 awaiting the finalisation of a capital raising for Working Capital requirements.

## Critical Infrastructure Signed – A Refresher

Critical to every globally significant iron ore project is access to supporting infrastructure with capacity. GEN has signed long-term agreements for two key pieces of infrastructure – rail & port and renewable energy.

Baniaka benefits from its favourable position near Gabon's existing rail and power infrastructure, where sufficient, reliable capacity exists to provide for Baniaka's development. GEN has secured the required critical infrastructure with binding long-term agreements signed, representing major milestones in the advancement of Baniaka.

The two key agreements are:

- a 15-year integrated rail and port transport to market solution with OMP, for a starter 5Mtpa expanding to 15Mtpa
- a 20-year/30MW supply agreement with SdP for clean, renewable hydroelectricity to power Baniaka at attractive pricing of less than US¢10 per kilowatt hour, scalable to 50MW.

**Figure 3: Location of Genmin's projects, with critical enabling infrastructure marked**



Source: GEN.



## Transport solution – export pathway established

Gabon's existing Trans-Gabon Railway (TGR) provides an established 'off-the-shelf' logistics solution for Baniaka's potential production, from the mine to the OMP. The rail and port agreement has now been formalised with OMP.

### Key terms of the agreement

- integrated mine to ocean-going vessel transport solution
- 15-year term on a send-or-pay basis
- guaranteed 5Mtpa capacity
- provision to scale to 15Mtpa
- OMP to provide the required rail assets, rail haulage, train unloading and stockpile management at port, stockpile reclaim and loading of Cape class bulk carriers.

The rail and port agreement provides much of Baniaka's logistics requirements without the need for any material capex.

### Railway to mine site: the only uncontracted component

Connection to the railway from the mine site is the only component which is not contracted. We understand that trucking haulage to a new load-out rail terminal located near Franceville (to be constructed by GEN) will provide for the project start-up, while 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) becomes economic on expansion to 10Mtpa.

### Shipping: Owendo Mineral Port (OMP)

The TGR connects directly with OMP, Gabon's major new port development (~€300m invested since 2015), situated just south of Libreville. OMP is owned under a partnership which includes AP Moller – Maersk (a significant global integrator providing integrated logistics for global supply chains), Meridiam (a French sustainable infrastructure investor), Africa Finance Corporation (a multilateral financial institution, created by African sovereign states for Pan-African infrastructure investment) and Olam (a major, international agri-business) and subsidiary. Meridiam also owns a 40% stake in TGR operator SERTRAG. The OMP terminal is dedicated to ore (manganese, iron ore), and currently exports ~6Mtpa of manganese ore with plans to expand capacity further over time in line with demand.

As with the rail solution, the recent private investment in the OMP is timely for unlocking the potential of Baniaka. With a long history of mineral exports in Gabon and multiple major international specialist infrastructure and commodities companies involved in the expansion plans, GEN's agreement provides an attractive all-encompassing infrastructure transport solution for mine production at Baniaka with credible and capable counterparties who are deeply experienced in the region.

# Valuation: Risked NPV of A\$0.51/Share (Unchanged)

## Base-case valuation methodology: SOTP with risk-weighted DCF for Baniaka

### Baniaka makes up the bulk of our valuation

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. As the cornerstone asset, Baniaka accounts for almost all of our overall valuation for GEN. We have assigned nominal value to the other assets, and believe their value is largely contingent on Baniaka's success.

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. Originally GEN targeted FID in CY23. However, given the regime change in Gabon, and with the Mining Permit issued, we see finalisation of final funding and FID coming through in 1HCY24. Our estimates rely upon the disclosures in the PFS.

We highlight 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.

### Key assumptions; substantial medium-term upside potential

We value GEN at A\$0.51 per share (unchanged). Our valuation assumes a 10-year bulk open-pit mining operation at Baniaka with an initial 5Mtpa operation. We assume first production in CY2025 and have 1mt production in the first year, 3mt in CY2026 and full production of 5mt in CY2027. We continue to expect an expanded operation to a total of 10Mtpa commencing in Year 3 of production (after completion of a rail spur).

Although our valuation has remained unchanged on a per share basis, the underlying make-up of the valuation has been positively affected by rolling our valuation forward a year, with that being offset by additional shares issued under a capital raising we estimate to be US\$10m (previously US\$5m) in early 2024 (at A\$0.18c per share).

Until final funding is achieved there is still a substantial the risk profile of the Baniaka portion of our valuation and have accordingly our probability risk weighting is 67%.

Over the medium term, we see 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. We see exploration upside potential as significant given that only a relatively small proportion of the Baniaka prospects has been explored.

**Figure 4: Valuation summary**

NPV OF PROJECTS	US\$M	Ownership	Risk Weight	A\$M	A\$/share
Baniaka	727	90%	67%	651	0.47
Bakoumba (Advanced Expl.)	30	100%	50%	22	0.02
Minvoul/Bitam (Early Expl.)	10	100%	50%	7	0.02
Exploration and Investments	30	100%	50%	22	0.01
<b>ENTERPRISE NPV</b>	<b>797</b>			<b>703</b>	<b>0.52</b>
Corporate Costs	(20)	100%	100%	(30)	(0.02)
Net Cash (Debt)	1	100%	100%	2	0.01
<b>TOTAL</b>	<b>778</b>			<b>675</b>	<b>0.51</b>
<b>WACC</b>	<b>10.0%</b>				
AUDUSD	0.67				
Shares on issue (Undiluted)	452				
Options and Rights	10				
Additional Equity Required	912				
Shares on issue (Fully Diluted)	<b>1,373</b>				

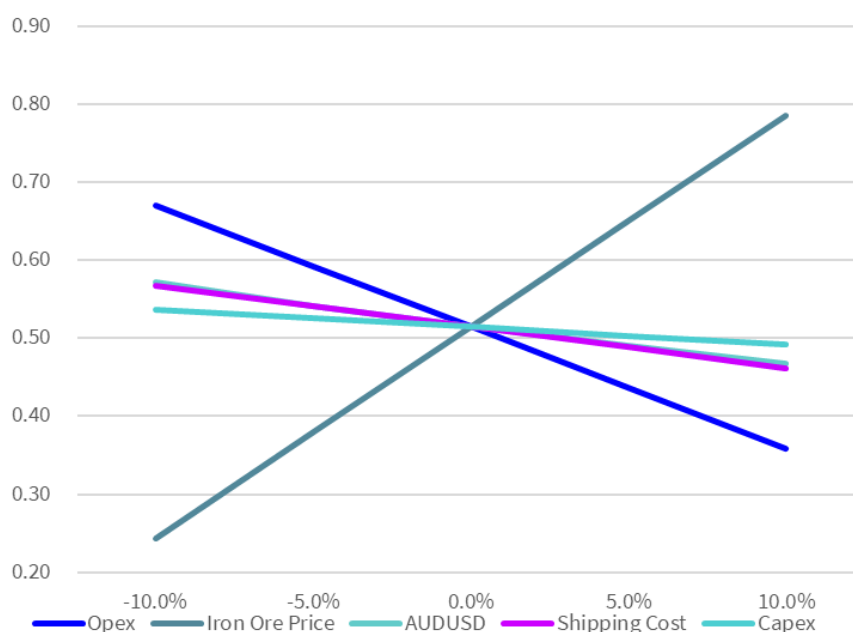
Source: MST Access.

**Figure 5: Key valuation assumptions**

Assumptions	
<b>PROJECT ASSUMPTIONS</b>	
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%
<b>COST &amp; FINANCING ASSUMPTIONS</b>	
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
Assumed Equity Raising Price A\$ per share	0.20
<b>PRICING &amp; EXCHANGE RATE ASSUMPTIONS</b>	
AUDUSD	0.67
Benchmark 62% Fines (US\$/dmt CFR China)	100
Premium Received 63% Lump	26.8c per unit
Royalties & Other Govt Contributions (%)	6.3%
Government Free Carry (%)	10%
Tax Rate (%)	35%

Source: MST estimates.

**Figure 6: Valuation sensitivity to % change in key components**



Source: MST estimates.



## **Positive catalysts for the share price and valuation**

### **Funding of project**

Funding a relatively large project is always a major challenge for a small company. Delivery of a competitive funding package would be a major catalyst for the stock.

### **Final investment decision**

FID is the key decision for the project to progress and is now dependent on receipt of the mining permit from the new government. FID is expected in 1HCY24.

### **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 leading 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 reflect positively on management. GEN has indicated that it will continue to optimise project costs as it approaches FID.

## Risks to the share price and valuation

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

### Company- and project-specific risks

#### Funding

AAML, previously GEN's key partner in securing project financing, had been targeting a co-financing plan whereby a partner was sought to provide the project finance requirement for construction of Baniaka. Further, AAML had also planned to provide short-term funding through a non-dilutive US\$5m royalty.

With the regime change, AAML has determined to await further clarity on the intentions of the transitional government before proceeding with the royalty or potential terms for project construction related debt.

Funding risk has increased; however, with current interest from Chinese Steel Mills, there may be alternative debt, cornerstone investor and equity options open for GEN.

#### Delays to FID

A critical risk here is any delay to FID. Delays to the funding will delay FID and the first production from Baniaka.

#### Macro risks

These include:

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

#### Country-specific risks

These include:

- the key risk is the new government. Although early signs are positive, risk remains that there are further changes in government and the project is delayed further
- 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.

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