

13 November 2023

Baniaka approaching FID

NEED TO KNOW

- Discussions have occurred with new Gabon gov't
- Baniaka moving ahead – offtake MoUs with large Chinese groups; mining permit expected by end CY23

Regime change in Gabon – positive dialogue with new ministers: 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. Ministers have indicated that this government is committed to working with commercial partners to grow Gabon's economy and mining industry. These signs are encouraging and appear to lay the groundwork for the final stages towards FID for the Baniaka project.

Baniaka milestones continue, offtake MOU with world's largest steelmaker signed: GEN has continued to deliver key milestones. Recently, offtakes have been signed with Hunan Iron (major FMG shareholder) and Baowu (largest steel maker globally), and a \$3m working capital facility established to facilitate ongoing work towards confirmation of the mining permit.

FID and construction pending mining permit receipt: With the key environmental approval secured in August, GEN expects the mining permit to be received 'before the end of 2023'. The quality of the project, as well as GEN's constructive in-country engagement with the new government, should see the project achieve final approvals and proceed into FID and full construction in the near term. GEN's leadership is in discussions with multiple offtake partners and various other groups to discuss financing requirements. GEN notes that Anglo American is monitoring the changed political situation in Gabon before proceeding with work for approval of a term sheet for project finance.

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.

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 (Previous A\$0.59); Baniaka the key

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

Risks

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

Report prepared by MST Access, a registered business name of MST Financial services ABN 617 475 180 AFSL 500 557

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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.

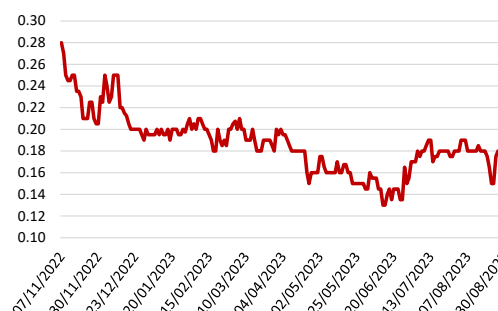
<https://www.genminigroup.com/>

Valuation	A\$0.51 (previous A\$0.59)
Current price	A\$0.18 (trading suspension until Nov 30)
Market cap	A\$81m
Cash on hand	US\$0.324m (30 September 2023)

Upcoming Catalysts and Newsflow

Period	
2HCY23	Mining permit granted
1HCY24	FID
1HCY24	Finalisation of project funding
CY25	GEN target first production

Share Price (A\$)



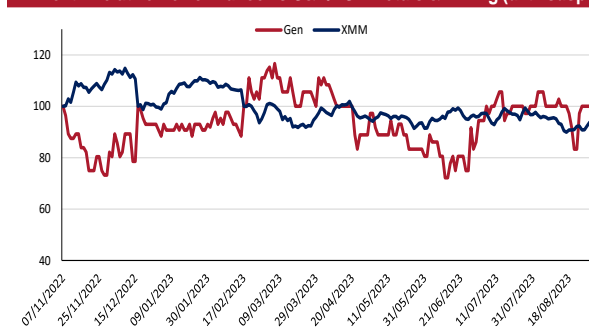
Source: FactSet, MST Access.

Financial Summary: Genmin Ltd

Year end 31 December

Share Price	A\$/sh	0.18
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	451
Options/Performance shares	m	10
Other Equity	m	784
Potential Diluted Shares on Issue	m	1,245

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



INVESTMENT FUNDAMENTALS		Dec-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Reported NPAT	US\$m	(4.0)	(7.3)	(6.3)	(6.6)	15.4
Underlying NPAT	US\$m	(4.0)	(7.3)	(6.3)	(6.6)	15.4
EPS Reported (undiluted)	¢ps	(1.0¢)	(1.8¢)	(1.6¢)	(0.8¢)	1.2¢
EPS Underlying (undiluted)	¢ps	(1.0¢)	(1.8¢)	(1.6¢)	(0.8¢)	1.2¢
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	9.7
P/E Underlying (undiluted)	x	n/m	n/m	n/m	n/m	9.7
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)	(28.0)	7.6
Free Cash Flow / Share	US\$	(0.03)	(0.02)	(0.02)	(0.25)	0.02
Price / Free Cash Flow	x	(5.2)	(7.5)	(7.4)	(0.7)	10.6
Free Cash Flow Yield	%	-19.4%	-13.4%	-13.5%	-137.3%	9.5%
Book Value / Share	US\$	0.10	0.12	0.10	0.12	0.13
Price / Book	x	1.8	1.5	1.8	1.6	1.3
NTA / Share	A\$	0.15	0.18	0.15	0.17	0.20
Price / NTA	x	1.2	1.0	1.2	1.0	0.9
Year End Shares	m	405	405	451	1,245	1,245
Market Cap (spot)	A\$m	73	73	81	224	224
Net Debt / (Cash)	A\$m	(19)	(10)	1	155	133
Enterprise Value	A\$m	54	63	83	379	357
EV / EBITDA	x	n/m	n/m	n/m	n/m	2
Net Debt / Enterprise Value		(0.2)	(0.1)	0.0	1.9	1.7

Resources

Class	Material	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O 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 ₂ O 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-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Sales	-	-	-	-	102
Expenses	(4)	(7)	(6)	(6)	(76)
EBITDA	(4)	(7)	(6)	(6)	26
D&A	(0)	(0)	(0)	(0)	(3)
EBIT	(4)	(7)	(6)	(7)	23
Interest	(0)	(0)	0	(0)	(1)
Tax	-	-	-	-	(7)
NPAT	(4)	(7)	(6)	(7)	15
Exceptionals	-	-	-	-	-
Reported Profit	(4)	(7)	(6)	(7)	15

Balance Sheet (US\$m)	Dec-21	Dec-22	Dec-23e	Dec-24e	Dec-25e
Cash	13	6	2	9	24
Receivables	0	0	0	0	8
Inventory	0	-	-	-	5
PP&E	0	15	18	220	222
Other	29	29	29	29	29
Assets	43	51	49	259	289
Creditors	2	2	2	2	8
Debt	-	-	3	113	113
Leases	0	0	0	0	0
Provisions	-	-	-	-	-
Other	-	-	-	-	-
Liabilities	2	2	5	115	122
Net Assets	41	49	44	144	167

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)
Net Cash From Operations	(5)	(7)	(5)	(5)	20
Capex	(0)	(0)	(0)	(200)	(3)
Exploration	(4)	(15)	(2)	(2)	(2)
Investments	-	15	-	-	-
Free Cash Flow	(10)	(7)	(7)	(208)	14
Equity	22	-	-	105	-
Borrowings	(0)	-	3	110	-
Dividend	-	-	-	-	-
Net Increase / (Decrease) in Cash	12	(6)	(4)	7	14

Source: GEN and MST Estimates

State of Play: Few Hurdles Remain to FID, But Clarity Needed in Gabon

Gabon Ushers in Regime Change

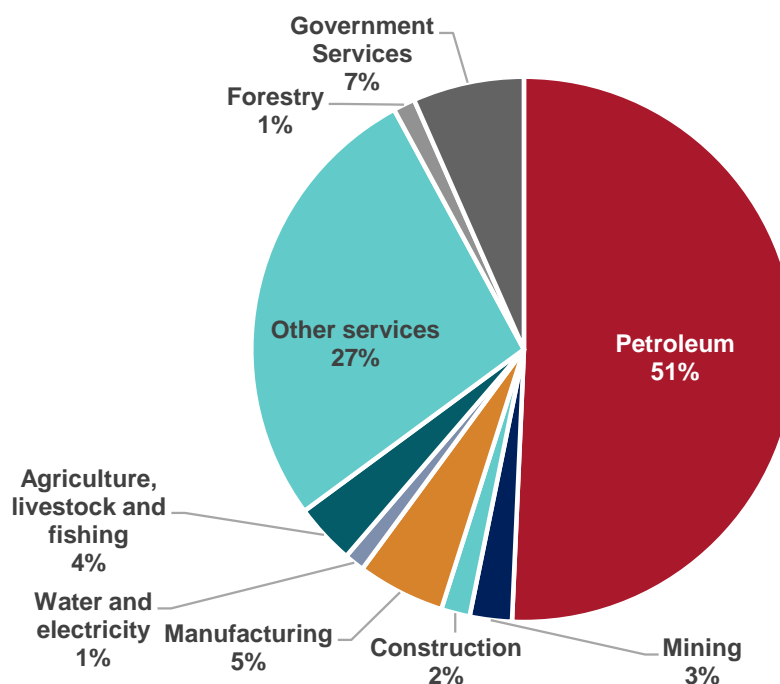
Gabon has been relatively stable since the west-central African country became independent from France in 1960. Omar Bongo was the country's long-serving president, ruling the country from 1967 until his death in 2009. After his death, Omar Bongo's son Ali Bongo was elected president, having held senior 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.

A brief failed coup attempt previously took place in January 2019 when Ali Bongo was out of the country receiving medical treatment after suffering a stroke. However, the unrest was short-lived and according to news reports appeared to consist of little more than a small group of soldiers who took control of a radio station until they were overpowered by government forces.

Ali Bongo was initially declared the winner of the general election held in August 2023; however, media reports suggest that public concerns regarding the legitimacy of the election and the concentration of oil wealth may have emboldened military and police to remove the long-standing leader.

Gabon's interim leader is the previous leader of the country's Presidential Guard, General Brice Oligui Nguema. Notably, Reuters reported that many senior members of the Bongo government attended the new leader's swearing-in ceremony.

Figure 1: Gabon GDP by sector



Source: <https://www.oecd.org/countries/gabon/38562644.pdf>

We are observing the situation in Gabon carefully and are watching for indications of ongoing stability, as well as clarification regarding potential democratic and business reforms by the transitional government as well as the commitment to economic development in partnership with foreign companies. 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 new non-oil economic development, we would expect projects like Baniaka to receive strong government support as a way of sustaining approval of the new leadership's legitimacy and capability.

Work at Baniaka Continues to Progress

While the regime change in Gabon presents some uncertainty, GEN has successfully engaged with the new Minister of Mines at a recent face-to-face meeting in Libreville. This meeting offered insight into the timeline for the issue of the large-scale mining permit for Baniaka, which is the final regulatory hurdle to proceeding with construction of the mine.

Further to these discussions, GEN has indicated that it expects to receive the mining permit by the end of CY2023 – which is within the next 2 months.

In recent months, other notable milestones have been achieved at Baniaka, including:

- 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
- US\$3m working capital facility secured from major shareholder Tembo Capital to fund continued advancement towards securing the large-scale mining permit.

GEN now 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 2: 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?

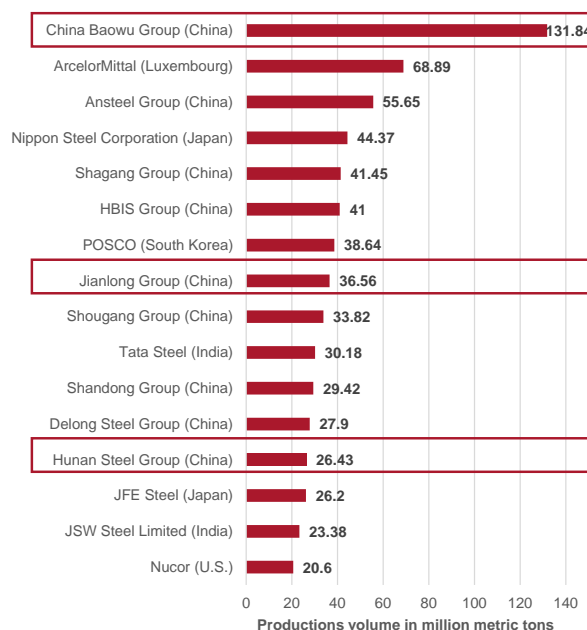
The offtake agreement signed with Hunan Iron & Steel in August has broader potential for GEN's strategic development, in our view, given Hunan's successful track record of taking equity stakes in iron ore projects where it is also a customer. In 2009 Hunan acquired a 16.5% position in FMG for \$1.2 bn, 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\$6 bn, 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 3: Largest Crude Steel Producers Globally – 2022 (MOU's with Genmin highlighted)



Source: Statista.

AAML Financing on Hold Pending More Clarity

Anglo American (AAML) is 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.

In the interim, GEN has secured US\$3m of working capital facilities with key shareholder Tembo Capital to provide funding for continued advancement of works towards expected receipt of the mining permit.

We highlight the strong economic fundamentals of Baniaka and deep capability and commitment that GEN brings to the project, however while GEN develops alternative funding solutions to AAML the financing process is likely to remain on hold.

Assuming the mining permit is received in line with GEN's current expectations, we believe this would likely signal to AAML that the new government is constructive and supportive of Baniaka and its existing stakeholders, which should lead to a revitalised financing process to commence early in CY2024.

GEN is currently assessing additional equity working capital options.

Voluntary Suspension of Trading Until 30 November 2023

GEN has requested the voluntary suspension of its securities granted pursuant to ASX Listing Rule 17.2 to continue to 30 November 2023. The voluntary suspension is requested to enable an assessment of equity working capital alternatives in light of the change of government in Gabon.

Final Investment Decision Approaching

Status of the project – in final stages before FID

Baniaka is now significantly advanced and at the final stages prior to final investment decision (FID) and project financing. GEN 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 –
3. Receipt of the large-scale mining permit – **awaiting transitional government sign-off**
4. Finalisation of project financing & FID – **to accelerate once large-scale mining permit issued**

Recent achievements – key agreements, environmental approval

Infrastructure and utilities agreements have substantially de-risked project

Agreements for critical infrastructure and utilities solutions have been completed which are key to underpinning the project's mine-to-port solution:

- a 15-year integrated rail and port transport to market solution with Owendo Mineral Port (OMP), for an initial 5Mtpa expanding to 15Mtpa
- a 20-year/30MW supply agreement with Gabon's state-owned utility (Société de Patrimoine du Service Public de l'Eau Potable, de l'Énergie Électrique et de l'Assainissement, or SdP) for clean, renewable hydroelectricity to power Baniaka at attractive pricing of less than US¢10 per kilowatt hour, scalable to 50MW.

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.

Environmental approval from Minister of Environment – last major step before obtaining large-scale mining permit

GEN has received final approval from the Minister of Environment in Gabon for the social and environmental impact assessment (SEIA) for Baniaka.

The ministerial approval of the SEIA, provided through a certificate of environmental conformance and subject to receipt of the large-scale mining permit, enables GEN to develop and operate the Baniaka project.

GEN has applied for a large-scale mining permit for an initial term of 20 years for a starter 5Mtpa mining operation at Baniaka.

A SEIA in Gabon follows a detailed process. As a result of its diligence and attention to detail, GEN was not required to repeat any work or gather supplemental information and was complimented by Gabon's Minister of Environment for its professional approach.

Coming up next – mining permit, followed quickly by FID

Mining permit – transitional government sign-off the final step

GEN has completed the required large-scale mining permit submissions supported by technical and commercial feasibility studies and has had the SEIA approved.

The mining permit is a licence issued by a decree of the new 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).

FID to rapidly follow receipt of mining permit

With the mining permit due to be granted in the near term, GEN aims to confirm FID quickly thereafter. The company's strategic focus will then pivot to finalising financing to move into full construction.

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.

GEN Shows Its Clear ESG Credentials; Independent ESG Certification Obtained

GEN has been awarded ESG certification by Digbee ESG™ (Digbee)¹, an independent, transparent assessment organisation endorsed by leading global financiers.

Certification is awarded to mining companies that have:

- satisfactorily disclosed their ESG activities at both the corporate and project level for independent assessment by ESG specialists
- demonstrated a serious commitment and internal culture geared towards ESG.

The outcome of the assessment is a standardised ESG score ranging from A (maximum) to CCC (minimum) with a supporting report for comparison against other companies and projects across the sector.

GEN attained an inaugural ESG score of BB. To assess its standing relative to peers, GEN reviewed data on Digbee scores for comparable African development companies. Out of the five identified, three achieved a BB score, one achieved a B score, and one opted not to disclose its Digbee rating.

Greener product positioning

The global steel making industry has formulated and is pursuing a decarbonisation strategy. The steel sector is aiming to reduce its carbon footprint as the production of steel remains a relatively high carbon dioxide (CO₂) emitter. Each tonne of steel produced typically emits 1.9 tonnes of CO₂, with the steelmaking industry contributing 7–9% of global CO₂ emissions². The reduction of these emissions is a global priority.

The industry is moving towards production of greener steel through the sourcing of higher quality, lower carbon intensity raw materials, carbon free processing technologies substituting hydrogen, and increased energy efficiency.

GEN's iron ore products from Baniaka are attractive to steel mills for their metallurgical characteristics, which contribute to energy efficiency and lower emissions in the iron making process. Central South University in China has independently concluded that Baniaka Lump has excellent thermal stability and reducibility, while Baniaka Fines improves sintering efficiency with a 12.5% increase in productivity and 8.6% lower solid fuel consumption when substituting for some Australian Fines and Brazilian Fines currently used in sinter feed blends.

Further, in securing the long-term supply of renewable hydroelectricity to power Baniaka, GEN aims to provide lower carbon intensity raw materials to minimise logistic chain carbon contribution and enhance its value proposition to potential offtakers, spot customers, and investors.

Figure 4: Baniaka Green® logo



Source: GEN.

¹ Digbee is the only ESG disclosure, ratings and communications platform designed specifically for the mining sector – developed in consultation with and endorsed by tier 1 financial organisations. It is used by mining companies around the world to annually disclose their ESG activities, obtain a credible rating and communicate their ESG efforts to all stakeholders.

² <https://worldsteel.org/climate-action>

Bitam Project Demonstrates Potential for Key Battery-Related Minerals

GEN's exploration focus now includes its Bitam project, located in the north-west of Gabon (see Figure 5).

Covering an area of 2,619km², Bitam is geologically favourable for VMS, orogenic Au and intrusion related (iron oxide copper-gold, rare earth and Li pegmatite) systems as identified in an independent non-ferrous, prospectivity assessment undertaken in the June 2023 quarter.

GEN has established an exploration camp with the help of local artisans and commenced its stream sediment sampling program on its top six priority targets.

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 5: 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 (Previous A\$0.59)

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

Baniaka makes up the bulk of our valuation – delay to final approvals and FID see our valuation decrease from A\$0.59 to A\$0.51

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, that target is no longer achievable, in our view. GEN remain confident that the final major approval, the mining permit, will be granted by the new government in CY2023. 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 (previously A\$0.59). Our valuation assumes a 10-year bulk open-pit mining operation at Baniaka with an initial 5Mtpa operation. Our valuation has decreased given that we have delayed the ramp-up of our production profile. We assume first production in CY2025 and have 1mt production in the first year, 3mt in CY2026 and full production of 5mt in CY2027. This compares to our previous estimate of 3mt in CY2025 and 5mt in CY2026. We continue to expect an expanded operation to a total of 10Mtpa commencing in Year 3 of production (after completion of a rail spur).

As a result of the regime change in Gabon, we think it is prudent to increase the risk profile of the Baniaka portion of our valuation and have accordingly reduced our probability from 75% to 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 6: Valuation summary

NPV OF PROJECTS	US\$M	Ownership	Risk Weight	A\$M	A\$/share
Baniaka	661	90%	67%	592	0.48
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
ENTERPRISE NPV	731			644	0.53
Corporate Costs	(20)	100%	100%	(30)	(0.02)
Net Cash (Debt)	1	100%	100%	2	0.01
TOTAL	712			615	0.51
WACC	10.0%				
AUDUSD	0.67				
Shares on issue (Undiluted)	451				
Options and Rights	10				
Additional Equity Required	784				
Shares on issue (Fully Diluted)	1,245				

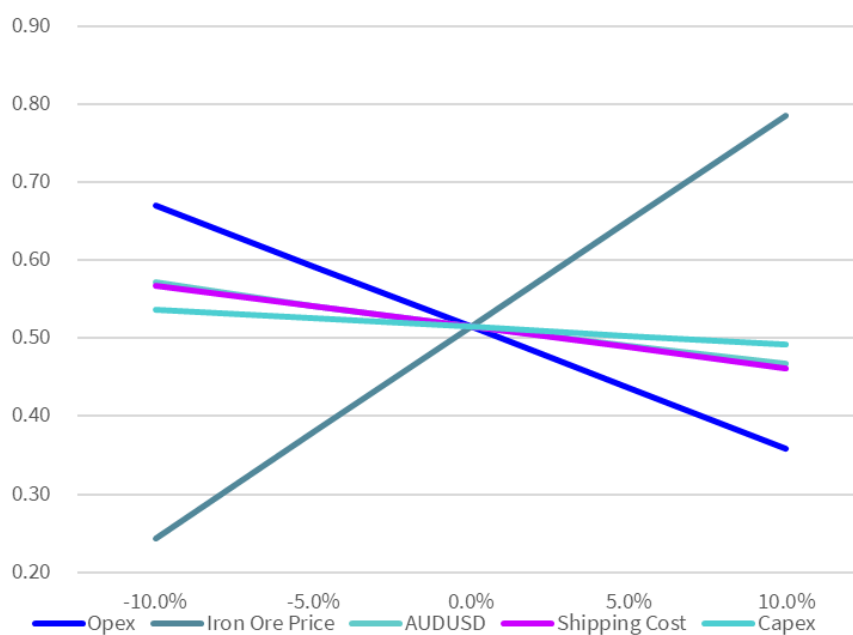
Source: MST Access.

Figure 7: Key valuation assumptions

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)	-
Life-of-Mine Average AISC (US\$/dmt, real)	65
Assumed Equity Raising Price A\$ per share	0.20
PRICING & EXCHANGE RATE ASSUMPTIONS	
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 8: Valuation sensitivity to % change in key components



Source: MST estimates.

Positive catalysts for the share price and valuation

Receipt of Mining Permit

GEN has completed the required large-scale mining permit submissions supported by technical and commercial feasibility studies and has environmental approval.

The mining permit is a licence issued by a decree of the new 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).

With the change of government, the risk of gaining the mining permit has changed. The granting of the mining permit will be a major de-risking event and a sign the new regime is supportive of the project.

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 1H CY24

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

Receipt of Mining Permit

GEN has completed the required large-scale mining permit submissions supported by technical and commercial feasibility studies and has had environmental approval.

The mining permit is a licence issued by a decree of the new 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).

With the change of government, the risk of gaining the mining permit has changed and risk exists that there may be further delay to its issue.

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 MP for 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 relevant approvals may not be given 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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