

Genmin Ltd (GEN.ASX)

Scalable Premium, High Grade, Near Term African Iron Ore

Event:

- We initiate research coverage on Genmin Ltd (GEN.ASX).

Investment Highlights:

- Genmin Ltd (GEN)** is an ASX listed company developing its flagship Baniaka iron ore project in Gabon, central west Africa (100% interest). The company also has the Bakoumba and Minvoul/Bitam iron ore projects in the same country (100% interest).
- Baniaka is a large, and largely unexplored, asset contemplating high grade products:** containing hematite with the capacity to produce high grade DSO iron ore products (60-64% Fe, 25% lump). The JORC Resource stands at 258Mt at 40.1% Fe. The 152Mt DID and Oxide resource supports a ~10-year mine life.
- Attractive economics in high-margin Baniaka project:** under our production scenario, we estimate NPV₈ (real) US\$495M and IRR of 47% for Baniaka, assuming US\$43/t FOB cash costs and capital intensity of US\$28/t for initial production of 5Mtpa, with staged production increase to 10Mtpa.
- Potential for new iron ore hub.** A mere 17% of 85km of the strike length at Baniaka has been drilled. The company has an exploration target of 461Mt of DID and Oxide at Baniaka, as well as 243Mt at neighbouring Bakoumba. Successful exploration at the latter would greatly enhance the company's ambition to establish a new African iron ore hub in SE Gabon.
- Running start on infrastructure:** a significant highlight is the company's proximity to operating and existing bulk commodity transport and renewable energy infrastructure including the existing Trans-Gabon Railway and Owendo Port, as well as the operating Grand Poubara hydroelectric power.
- Cash of US\$21M following recent IPO and no debt.** Use of funds primarily aimed at advancing flagship Baniaka project including a PFS in the coming year, as well as exploration at its holdings.

Earnings and Valuation:

- We consider a production scenario with **first production in FY24e, and first full year of production in FY25e to deliver earnings of US\$81M.**
- We have derived a risked valuation of \$0.65 per GEN share (0.6x NPV).** Our valuation is underpinned by an unrisks NPV₈ (real) of A\$642M for Baniaka in the base, assuming first production in FY24e, LT iron ore price of US\$80/t and AUDUSD of 0.75.
- Considerable valuation upside potential:** successful exploration at GEN's southern hub would facilitate a high-grade DSO operation at scale.

Recommendation:

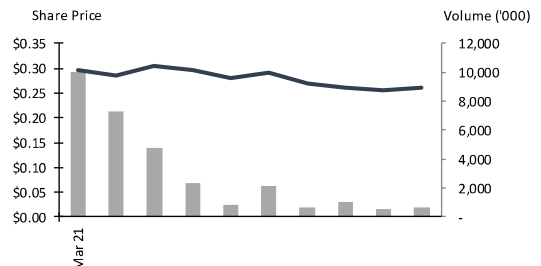
- We initiate coverage of GEN with a **Buy recommendation and price target of \$0.65/share.** The company is rapidly progressing development of its flagship Baniaka project with its scalable, high grade, and low-cost iron ore projects, significant exploration potential, and proximity to existing operating infrastructure.
- Catalysts for the stock** include: 1) update on resources and maiden reserves; 2) updates on marketing, offtake; 3) pre-feasibility study; 4) FID, construction decisions for Baniaka; 5) infrastructure updates including rail and port.

Disclosure

The analyst owns 29,116 GEN shares. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 3,165,170 GEN shares, 250,000 GEN options at US\$0.15 strike and July 2024 expiry, and 2,500,000 GEN options at \$0.442 strike and March 2026 expiry. Cranport Pty Ltd owns 5,619,400 GEN shares. **Foster Stockbroking acted as Joint Lead Manager to the A\$30M initial public offering of 88.2M shares at \$0.34 in March 2021. Foster Stockbroking received fees for this service.**

Refer to end of report for details.

Recommendation	Buy			
Previous	N/A			
Risk	High			
Price Target (A\$/share)	\$0.65			
Previous	N/A			
Share Price (A\$)	\$0.26			
ASX Code	GEN			
52 week low - high (A\$)	N/A			
Capital structure				
Shares on Issue (M)	400.5			
Market Cap, undil. (A\$M)	104			
Net Cash/(Debt) (A\$M)	28			
EV (A\$M)	76			
12mth Av Daily Volume ('000)	3,034			
Y/e Jun A\$	FY20e	FY21e	FY22e	FY23e
Sales, \$M	0.0	0.0	0.0	0.0
EBITDA adj. \$M	-1.3	-8.8	-8.8	-4.3
NPAT adj. \$M	-1.4	-8.9	-8.5	-4.2
EPS adj c	-0.4	-2.2	-2.0	-1.0
PER (x)	nm	nm	nm	nm
Dividend c	0.0	0.0	0.0	0.0
Board				
Michael Arnett	Non-Executive Chairman			
Joe Ariti	Managing Director & CEO			
John Hodder	Non-Executive Director			
Pietro Amico	Non-Executive Director			
Brian van Rooyen	Non-Executive Director			
Major Shareholders				
Tembo	62.0%			
Share Price Graph				



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