



Genmin Ltd (GEN.ASX)

Premium Product Grade with VIU Assessment On Foot

Event:

- Pilot results, VIU assessment update; revised PT.

Investment Highlights:

- Premium product grade confirmed:** the company's recently released update confirms premium grades for both lump and fines products from both the DID (detrital iron deposit) and the oxide material. Highlights include premium grades of 64.1% and 65.1% (lump and fines) from the DID samples, and 63.3% and 64.3% from the oxide.
- Resource grade likely understated:** GEN also reported that DID sample Fe head grades returned an average 114% uplift on the target sample zone head grade. We think this infers a likely understatement of resource grade, given the materiality of the delta.
- Value in use assessment work results to demonstrate product performance:** VIU assessment work is being undertaken at Central South University in China, which has completed similar work for all of the majors, with results on the lump samples due in a month, while the fines will follow shortly after. VIU work is proceeding in concert with in-country marketing to prospective mills.
- GEN's new Gabonese iron ore hub ambition brought to fore amid Guinea troubles.** The recent coup in Guinea calls into focus the political hazards in developing Simandou, amid the scramble for alternate African supplies to sate Chinese demand. We see the window opening for the establishment of a Gabonese iron ore hub in the event of any delay to Simandou as a result of the most recent political issues in Guinea.
- Cash of US\$19M and no debt at 30 June.** The company is advancing its flagship Baniaka project and targeting a PFS at year end, as well as progressive exploration and resource updates at its holdings, with four rigs currently turning on site.

Earnings and Valuation:

- We have an increased risked valuation for GEN of \$0.82/share (prior \$0.65),** due to an increased 0.65x P/NPV (prior 0.6x) as a result of the company's latest update showcasing premium product grade, likely understated Resource grade, and with VIU assessment work results to come.
- Our valuation is underpinned by an unrisks NPV₈ (real) of A\$702M** for Baniaka, assuming first production in FY24e, US\$80/t LT iron ore, and AUDUSD of 0.75. We continue to see considerable upside valuation potential in the successful exploration at GEN's southern hub to facilitate a high-grade DSO operation at scale.

Recommendation:

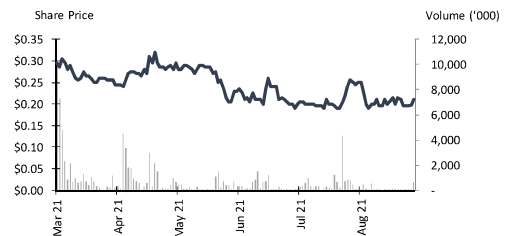
- We maintain our **Buy recommendation and increase our price target to \$0.82/share (prior \$0.65)**, in line with our risked valuation. The company is rapidly progressing development of its flagship Baniaka project with its scalable, high grade, and low-cost iron ore projects, significant exploration 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 7,956,501 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 9,469,766 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	Buy			
Risk	High			
Price Target (A\$/share, risked)	\$0.82			
Previous	\$0.65			
Share Price (A\$)	\$0.21			
ASX Code	GEN			
52 week low - high (A\$)	N/A			
Capital structure				
Shares on Issue (M)	400.5			
Market Cap, undil. (A\$M)	84			
Net Cash/(Debt) (A\$M)	26			
EV (A\$M)	58			
12mth Av Daily Volume ('000)	680			
Y/e Jun A\$	FY20e	FY21e	FY22e	FY23e
Sales, \$M	0.0	0.0	0.0	0.0
EBITDA adj. \$M	-1.3	-5.8	-8.8	-4.3
NPAT adj. \$M	-1.4	-5.9	-8.4	-4.1
EPS adj c	-0.4	-1.4	-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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