



## Genmin Ltd (GEN.ASX)

### Multinational Validation in Offtake MOUs

#### Event:

- Baniaka offtake MOUs with Minmetals and CDSS.

#### Investment Highlights:

- Two offtake MOUs with Chinese counterparties:** GEN has signed two MOUs to sell and deliver 4Mtpa of iron ore for a three year term from its flagship Baniaka project. Equivalent to 80% of Baniaka's stage 1 production, the 3Mtpa of fines and 1Mtpa of lump will go equally to China Minmetals Corporation (**Minmetals**) and Changzhou Dongfang Special Steel (**CDSS**). The company is seeking to progress to legally binding agreements by 30 June 2023.
- Significant Baniaka validation from multinational SOE:** the offtake MOUs follow hot on the heels of excellent VIU testwork results. The company has pleasingly succeeded in its marketing efforts and demonstrated strong validation for its Baniaka project, by bagging Minmetals, one of China's largest state owned enterprises (SOE) and resource companies, with annual iron trading volume of ~40Mtpa. CDSS is a privately owned specialist steel producer with annual production of 3.5Mt and mills near Changzhou.
- GEN positioning itself as new Gabonese iron ore hub:** with existing access to infrastructure and logistics including rail, port, and power, we see GEN's Baniaka is gearing up to establish itself as a new major African iron ore hub in Gabon, and likely to be a target of significant interest should Chinese demand seek to pivot from Australian product. We note **Fortescue Metals Group (FMG)** is potentially reviving the Belinga project, the largest deposit in north east Gabon, with estimated reserves of 384Mt of high grade ore (60%+ Fe), and more than 1,000Mt at 50%+ Fe. In contrast to Baniaka, Belinga has a significant infrastructure challenge however, which is yet to be solved, and situated very close to the DRC border.
- Cash of US\$16M and no debt at 30 September.**

#### Earnings and Valuation:

- Our risked valuation for GEN is \$0.82/share (unchanged, 0.65x P/NPV)** noting the positive news of marketing success with Chinese steel heavyweights in step with recent news on premium product grade, likely understated Resource grade, and excellent VIU assessment work results.
- Our valuation is underpinned by an unrisked NPV<sub>8</sub> (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 our price target of \$0.82/share**, 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 8,968,977 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 9,717,823 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	\$0.82			
Share Price (A\$)	\$0.185			
ASX Code	GEN			
52 week low - high (A\$)	0.135-0.32			
Capital structure				
Shares on Issue (M)	400.5			
Market Cap, undil. (A\$M)	74			
Net Cash/(Debt) (A\$M)	23			
EV (A\$M)	52			
12mth Av Daily Volume ('000)	505			
Y/e Jun A\$	FY20a	FY21e	FY22e	FY23e
Sales, \$M	0.0	0.0	0.0	0.0
EBITDA adj. \$M	-2.6	-5.8	-8.8	-4.3
NPAT adj. \$M	-2.8	-5.9	-8.4	-4.1
EPS adj c	-0.9	-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%
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#### Share Price Graph



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