



## Genmin Ltd (GEN.ASX)

### Quality Product to Command Pricing Premium

#### Event:

- Baniaka VIU results; ESG Work Initiated; Bandjougoy update.

#### Investment Highlights:

- Baniaka's product quality will command premium:** final VIU results from China's Central South University suggest Baniaka Fines – 60% of GEN product – will attract a very healthy 17% or US\$23/dmt premium to benchmark product, while Baniaka Lump will be priced in line with typical market lump premium. VIU results will feed into the Baniaka PFS, expected next quarter.
- Bandjougoy update demonstrates scale, continuity, and geometry:** with a strike length of 4.4km it is the single largest target for oxide mineralisation at Baniaka, with no existing oxide mineral resource. The in situ oxide exploration target is 67-124Mt at 35-49% Fe. Initial results last November indicated ideal geometry for large scale open pit, which has only been further enhanced by the latest update last month. We expect further updates shortly, along with a maiden oxide mineral resource in 2Q22.
- Three offtakes with Chinese counterparties totalling 16Mt:** GEN has now signed three non-binding offtake MOUs to sell and deliver 12Mt of Baniaka fines and 4Mt of Baniaka Lump to Minmetals, Changzhou Dongfang Special Steel (CDSS), and Jianlong Group, with 1.5Mtpa of Fines and 0.5Mtpa Lump to each of Minmetals and CDSS for a 3 year term, and Jianlong for a 2 year term. The company is seeking to progress to legally binding agreements by 30 June 2023.
- Commitment to Digbee ESG framework will underpin future ESG credentials:** UK based Digbee's assessment incorporates ESG standards set by World Bank, International Finance Corporation, United Nations, and the International Council of Mining and Metals, and is globally recognised including by BlackRock and Orion Mine Finance, with a standardised system for ease of comparability.
- Cash of \$17M and no debt at 31 December.**

#### Earnings and Valuation:

- We have an unchanged risked valuation for GEN of \$0.82/share (0.65x P/NPV)** noting premium pricing for quality products and marketing success with Chinese steel heavyweights, as well as further Bandjougoy results to come.
- Our valuation remains underpinned by an unrisks NPV<sub>8</sub> (real) of A\$702M** for Baniaka, assuming first product in FY24e, US\$80/t LT iron ore, and 0.75 AUDUSD. We still see considerable upside to valuation from successful exploration at GEN's southern hub to facilitate a high-grade DSO concern at scale.

#### Recommendation:

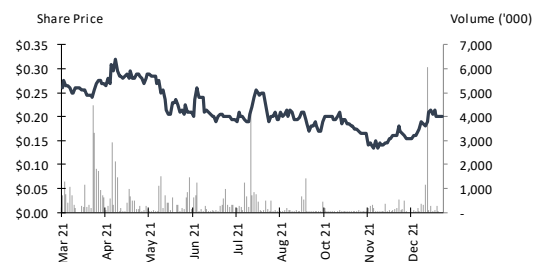
- We maintain our Buy recommendation and our price target of \$0.82/share**, in line with our risked valuation. The company is rapidly progressing development of its flagship Baniaka project with its scalable, high grade, and low-cost iron ore projects, significant exploration potential, and proximity to existing operating infrastructure.
- Catalysts for the stock** include: 1) update on resources and maiden reserves, including maiden oxide Bandjougoy Resource in 2Q22; 2) updates on marketing, offtake; 3) pre-feasibility study in 2Q22; 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 9,132,210 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 10,078,194 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)	404.7			
Market Cap, undil. (A\$M)	75			
Net Cash/(Debt) (A\$M)	17			
EV (A\$M)	58			
12mth Av Daily Volume ('000)	332			
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	61.3%			
Share Price Graph				



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