



Genmin Ltd (GEN.ASX)

Focus turns to financing and FID

Event:

- Mining permit; Earnings and price target changes.

Investment Highlights:

- **Welcome news.** GEN's Baniaka received a 20-year mining permit this week, following a tumultuous few months during which the coup in Gabon drew uncertainty over Baniaka's development and saw the stock suspended. However, the permit signals due process is now on track, against the backdrop of a new transitional government including the new mines minister.
- **Focus on financing – we expect FID end 1H 2024.** GEN stated it will seek to raise sufficient funds for working capital over the next two quarters, as it works to bed down binding offtake and financing as a prelude to FID by end 1H 2024. Assuming a 12-month construction period commencing soon afterwards, we anticipate commissioning of the Baniaka mine by end 1H 2025.
- **Key infrastructure agreements in place - power, rail, port.** The company has already signed a 20-year power supply agreement with Gabon's state-owned SdP for an initial 30MW which can increase to 50MW to accommodate Baniaka expanding above 5Mtpa. A 15-year integrated rail and port agreement signed with Owendo Mineral Port for 5Mtpa product with provision to scale-up to 15Mtpa provides a mine-to-ocean vessel solution.
- **Offtake with Tier 1 steelmakers to underpin financing.** GEN has offtake MoUs with Minmetals, Jianlong, Hunan Valin, and Baowu, the last signed post the coup, indicating China risk appetite for resource projects in Africa. We expect conversion into binding agreements should draw China debt financing.
- **We expect 50/50 debt: equity funding.** We have revised our forecast funding need that GEN will require from now to first sales from Baniaka to US\$270M, up from US\$250M previously. It comprises mostly Baniaka capex – however we now estimate US\$231M after applying a 15% inflation factor on the PFS's US\$201M, as well as corporate, exploration, and working capital.

Earnings and Valuation:

- **Earnings rolled back six months - to begin 2H 2025.** Given the delay caused by the coup in receiving the mining permit, we now forecast maiden Baniaka earnings beginning 2H 2025 (previously start 1H 2025), with first full year of production being 2026.
- **Risked share valuation now \$0.64 (0.2x NPV₁₀ nominal) from \$0.82 previously.** It has reduced mostly from higher capex with accompanying increase in future equity dilution, and delaying our forecast first production by six months. Our long-term iron ore China fines 62% CFR price is largely unchanged at US\$99/t.

Recommendation:

- **Maintain Buy, cut our 12-month price target to \$0.64 from \$0.82.** This is in-line with our risked valuation of 0.2x NPV₁₀.
- **Key catalysts for the share price include** 1) Binding offtake agreements; 2) Finalisation of financing; 3) FID; 4) Commencement of construction; 5) Expansion, pellet feed VIU, and mine optimisation studies.

Disclosures

The analyst owns 107,000 GEN shares. Foster Stockbroking and other staff own 9,868,750 GEN shares; 250,000 GEN options exercise US\$0.15 expiry 31 July 2024; and 2,500,000 GEN options exercise \$0.442 expiry 7 March 2026. Cranport owns 12,233,217 GEN shares.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$0.64
Previous	\$0.82
Share price (A\$)	\$ 0.18
ASX code	GEN
52 week low-high	\$0.125-\$0.21
Valuation - risked (A\$/share)	\$ 0.64
Methodology	risked NPV

Capital structure

Shares on Issue (M)	452
Market cap (A\$M)	81
Net cash (debt) (A\$M)	-3
Options (M)	6
Performance rights (M)	4
Diluted EV (A\$M)	86
Ave daily volume ('000)	110

Earnings y/e Dec US\$M	FY22a	FY23e	FY24e	FY25e
Sales	0	0	0	143
EBITDA adj	-6	-7	-7	29
NPAT reported attrib.	-7	-7	-7	21
NPAT adj attrib.	-7	-7	-7	21
EPS adj. \$*	-0.02	-0.02	-0.01	0.02
P/E	na	na	na	10.6x
EV/EBITDA	na	na	na	10.4x

* Adj = underlying

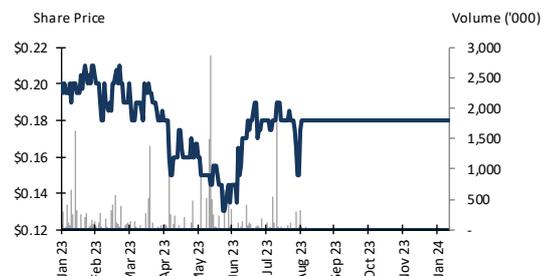
Substantial shareholders

Ndovu Capital & Tembo Capital Mining Fund	55%
Cranport Pty Ltd	5%

Board

Michael Arnett	Non-Executive Chairman
Giuseppe (Joe) Ariti	Managing Director & CEO
John Hodder	Non-Executive Director
Salvatore Amico	Non-Executive Director
Brian van Rooyen	Non-Executive Director

Share price graph



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