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Genmin Ltd. (GEN)

Strategic iron ore portfolio in Gabon

Recommendation
Buy (Initiation)

Price
\$0.17
Valuation
\$0.44 (unchanged)

Risk
Speculative
GICS Sector
Materials
Expected Return

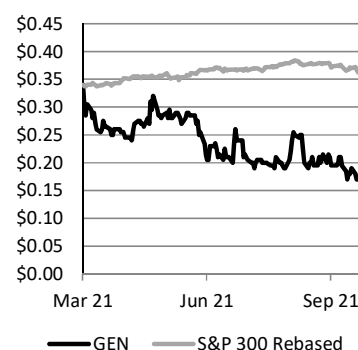
Capital growth	158.8%
Dividend yield	0.0%
Total expected return	158.8%

Company Data & Ratios

Enterprise value	\$42.2m
Market cap	\$68.8m
Issued capital	404.7m
Free float	39%
Avg. daily val. (52wk)	\$100,000
12 month price range	\$0.17-\$0.34

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.21	0.21	
Absolute (%)	-19.0	-19.0	
Rel market (%)	-15.1	-18.1	

Absolute Price


SOURCE: IRESS

De-risking a strategic asset portfolio

GEN is an iron ore exploration and development company with a pipeline of projects in the Republic of Gabon, central West Africa. The most advanced of these is the Baniaka project (Resource stage, PFS due 1QCY22), followed by the Bakoumba project (advanced exploration) and the Minvoul/Bitam project (early exploration). Baniaka has a Resource of 260Mt at 40% Fe which metallurgical testing indicates will beneficiate to 63-64% high grade iron ore products. It shows potential to support an iron ore production hub initially of 5-10Mtpa. Drill programs have lifted the quality of the Baniaka Resource, with 38% of the DID portion now in the Indicated category. Metallurgical test work has reported high grades and product yields, as well as indicating potential upside to the DID Resource grade. These workstreams are feeding into a Pre-Feasibility Study (PFS) on the Baniaka project due 1QCY22.

Playing the supply diversification theme

China has made no secret of its objective to diversify its iron ore import reliance away from Australia. While Baniaka justifies development in its own right, it brings together a rare combination of a high grade (beneficiated) product, scalability via potential growth of a shallow, accessible Resource, established rail and port infrastructure catering to bulk mining products, renewable hydro-electric power supply and a stable, African mining jurisdiction. In our view, this combination of factors makes GEN's project portfolio a strong candidate for Chinese SOE's aiming to meet China's objective of controlling an increased proportion of its iron ore requirements and diversifying supply away from Australia.

Investment thesis: Speculative Buy, Valuation \$0.44/sh

We initiate on GEN ahead of the catalyst of the PFS, due for completion in 1QCY22, with a Buy recommendation. It offers exposure to future high margin iron ore production and the strategic theme of the development of ex-Australian iron ore supply. Our valuation offers upside of 158.8% to our NPV-based valuation of \$0.44/sh. We rate GEN Speculative Buy, in line with our recommendation structure.

Earnings Forecast

Year ending December	2021e	2022e	2023e	2024e
Sales (US\$m)	-	-	-	257
EBITDA (US\$m)	(6)	(7)	(7)	102
NPAT (reported) (US\$m)	(6)	(7)	(7)	74
NPAT (adjusted) (US\$m)	(6)	(7)	(7)	74
EPS (adjusted) (Acps)	(2.3)	(2.5)	(1.8)	14.3
EPS growth (%)	nm	nm	nm	nm
PER (x)	nm	nm	nm	1.2
FCF Yield (%)	-14%	-23%	-199%	94%
EV/EBITDA (x)	(7.0)	(5.7)	(5.7)	0.4
Dividend (Acps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-19%	-18%	-12%	63%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Contents

Investment thesis and valuation.....	3
Company background and asset summary	7
Capital structure and financials.....	15
Board and Management	18
Resource sector risks.....	19

Investment thesis and valuation

Investment thesis: Speculative Buy, Valuation \$0.44/sh

Our investment thesis in GEN is predicated on:

- A highly **experienced management team with a clear track record of value creation in African jurisdictions**. GEN has been active in Gabon through over eight years of in-country work, reviewing, identifying and selecting projects with attractive prospects for development and commercialisation. The Board of Directors and senior management of GEN have well-established relationships, both in Gabon and regionally. Managing Director and CEO, Joe Ariti, was a founding director of African Iron Limited (AKI:AU), which advanced the Mayoko iron ore project in neighbouring Republic of Congo (ROC), leading to AKI's takeover by Exxaro Resources Ltd. (EXX:SJ) in 2012. Non-Executive Director, Salvatore Amico, was the General Representative of Eramet (ERA:FP) in Gabon from 2013-2018 where he oversaw final permitting, government negotiations, construction and commissioning of the €228m COMILOG manganese metallurgical plant. COMILOG is a subsidiary of Eramet and the second-largest private employer in Gabon. Non-Executive Director, Brian Van Rooyen is formerly of Kumba Iron (KIO:SJ) and Exxaro Resources, where he held business development roles, including leading the acquisition of the Mayoko iron ore project. Non-Executive Director, John Hodder, is a founding principal of Tembo Capital, an African focused mining private equity fund, active in several investments across continental Africa.
- Future iron ore **production from a high margin, long-life Detrital Iron Deposit (DID)** and Oxide iron ore project, targeting production of a high grade (60-64% Fe) washed, screened and beneficiated product. We initially see scope for staged production up to 10Mtpa, but with upside to this from further growth from the current Resource of 260M at 40% Fe;
- The **near-term catalysts of project de-risking and development milestones**. These include the outcomes of pilot plant metallurgical test work, product value in use (VIU) testing, commencement of social and environmental baseline studies and mining and infrastructure studies. These various workstreams will feed into the completion of a Pre-Feasibility Study (PFS), targeted for completion in 1QCY22;
- The opportunity that exists **for potentially significant Resource growth and production expansion**, with only 14km (17%) of an interpreted Banded Iron Formation (BIF) strike length of 85km at Baniaka tested by diamond drilling.
- The **strategic appeal of its asset portfolio to Chinese SOE's**, aiming to meet the Chinese Government's target of controlling 45% of its imported iron ore consumption by 2025 and reducing reliance on Australian sourced iron ore. African jurisdictions are attractive hosts for such projects. GEN's tenement holdings are large scale (5,270km²) and 100%-owned.
- The availability of **established infrastructure to support production operations** at Baniaka. This includes the Trans-Gabon Railway (60km from Baniaka) and the Gabon Special Economic Zone (GSEZ) mineral port at Owendo (Owendo Mineral Port or OMP). In January 2021, GEN signed a non-binding memorandum of understanding with OMP for a proposed integrated rail and port logistics solution.
- The availability of **renewable, hydro-electric power supply** from the Grand Poubara dam and 160MW hydro-electric plant, located approximately 30km northeast of Baniaka. Approximately 80-100MW of capacity is committed with 60-80MW available for domestic and industrial uses in the region.

- Being **sufficiently funded to complete a two year work program** planned to deliver de-risking and value adding milestones including drill testing of Resource expansion targets, Resource updates, metallurgical test work and the Baniaka PFS.

China looking to wean off Aussie Ore, GEN an option.

The political tensions and related trade restrictions between China and Australia that began at the end of CY20 have, for the most part been ineffective in penalising the broader Australian economy. Recent record iron ore prices and Australia's supply dominance has intensified China's motivation to diversify its reliance on traditional iron ore supply sources.

The resulting effect has intensified China's motivation to diversify its reliance on Australian iron ore and to control 45% of its consumption by CY25. Projects historically shelved due to a lack of existing infrastructure and low iron ore prices are being pushed to development in an effort to reduce their historical 60% reliance on Australian sourced iron ore. Rio Tinto (RIO, not rated) and Chinalco's high-grade Simandou mine in eastern Guinea has historically faced challenges from high infrastructure costs and an unstable political environment. While it has gained momentum as an alternative ore source for Chinese steel mills these risks have again been highlighted following the recent military Coup on 6th September 2021.

Table 1 - China's path to 45% control in 2025

<i>Current 2021e</i>	<i>Unit</i>	
China 2021 steel production estimate	Mt	1,113
BOF Vs EAF %	%	90%
Tonnes iron ore to steel	t	1.60
Total iron ore needed	Mt	1,602
Domestic % of total consumption	%	19%
Domestic production estimate	Mt	211
Imported Iron ore	Mt	1,391
<i>China controlling 45% of consumption by 2025</i>		
Steel production estimate - at 4% growth to 2025	Mt	1,302
BOF Vs EAF %	%	78%
Tonnes iron ore to steel	t	1.60
Total iron ore needed	Mt	1,614
Consumption control	%	45%
Domestic % of total consumption	%	25%
Domestic production estimate	Mt	325
Remaining consumption	Mt	323
Simandou Block 3 & 4 RIO & Chinalco	Mt	40
Simandou Blocks 1 & 2 SMB Consortium	Mt	135
Sino Iron Ore Project	Mt	24
Other Projects	Mt	124
Imported Iron ore	Mt	966

SOURCE: BELL POTTER SECURITIES ESTIMATES *SIMANDOU BLOCK 3&4 ADJUSTED FOR CHINALCO'S 39.95% INTEREST (100% = 100MT), SIMANDOU BLOCK 1&2 ADJUSTED FOR SMB INTEREST 90% (100% = 150MT), SOURCE: BLOOMBERG, S&P PLATTS, AUSTRALIAN FINANCIAL REVIEW.

Based on our estimates, by CY25 China will need to source an additional 124Mtpa outside previously flagged projects and increased domestic consumption. With this in mind, we see the potential for GEN's Baniaka project alone to fill ~10Mtpa of this 124Mtpa iron ore decoupling between Australia and China, with a particularly favourable investment thesis underpinned by:

- Existing infrastructure including access to rail and hydro-power networks;
- An existing port facility currently exporting bulk materials;
- Shallow deposits producing (beneficiated) high-grade lump and fines; and
- Amenable government, supportive of attracting new mining investment to the region.

GEN fostering commercial relationships and brand recognition in China

During the September 2021 quarter, GEN announced the results from commercial scale pilot testing done on Baniaka, which included the announcement of two 700kg value in use (VIU) assessments being conducted at Central South University (CSU) in China. Mr Anthony Chen, manager of Sales and Marketing at GEN, has travelled to China to oversee the program, expected to take one month to complete for the lump product and two months for the fines product. The CSU testing laboratories are recognised as key facilities for benchmarking imported iron ore quality and characteristics. As such the CSU plays a role effectively as a gatekeeper to the Chinese steel market.

Valuation methodology

Our valuation of GEN is based on the NPV (12% nominal) of our forecast after-tax free cash flows from its 100%-owned Baniaka iron ore project in Gabon. Our forecasts are based upon notional project parameters, taking into consideration unit operating costs applied for the Resource estimate pit optimisations (reviewed by industry consultants SRK, in its Independent Geologist's report) and 10% Gabon Government free-carry. We have assumed a Resource to Reserve conversion rate of 85% for the current 260Mt Resource at Baniaka as the basis for an initial +10 year life-of-mine, utilising the ~155Mt DID and oxide portion of the Resource to produce 5-10Mtpa of high grade, beneficiated, saleable product. We apply our latest commodity price and foreign exchange rate forecasts. For the purposes of our GEN valuation, we have risk adjusted our calculated NPV to reflect the early development stage of Baniaka, applying a 75% discount to our un-risked NPV.

Valuation and Recommendation – Buy (Speculative), Valuation \$0.44/sh

From these modelled assumptions we derive an NPV-based valuation for Baniaka of A\$616m (discount rate 12% nominal). To reflect the early development stage of Baniaka, we apply a 75% discount to our un-risked NPV for a risk-adjusted project valuation of A\$154m. Net of corporate costs, GEN's current net cash (debt) position and allowing a nominal valuation for exploration upside, we calculate a sum-of-the-parts valuation for GEN of \$0.44/sh.

Table 2 – GEN sum-of-the-parts valuation

Sum-of-the-parts	A\$m	A\$/sh
Baniaka (risk discount 75%, NPV12%)	154.0	0.38
Other exploration	20.0	0.05
Corporate overheads	(14.4)	(0.04)
Subtotal	159.7	0.39
Net cash (debt)	26.5	0.07
Total (undiluted)	186.2	0.46
Add options in the money (m)		15.5
Add cash	0.0	0.0
Total (diluted)	186.2	0.44

SOURCE: BELL POTTER SECURITIES ESTIMATES

With upside of 158.8% from GEN's last closing share price to our valuation, we make a Speculative Buy recommendation in conformity with our ratings structure.

Upcoming catalysts

Upcoming catalysts for GEN include:

- The results of pilot plant metallurgical testing to develop engineering level process design criteria and planned flowsheet to feed into the Baniaka PFS;
- Mining and infrastructure studies, including the completion of a gap analysis for the Owendo Mineral Port (OMP) and the advancement of any agreements to lock in rail and port access;
- The completion of RC and diamond drilling programs at Baniaka to potentially extend the oxide Resource, define a maiden oxide Resource at Bandjougoy and further increase confidence categories of the existing DID Resource;
- The completion of VIU testing at CSU in China – a potential catalyst for initial engagement with potential offtakers;
- The confirmation and granting of Exploration Licence extensions at Baniaka, Bakoumba and Minvoul, which are all currently in process;
- The completion and release of the Baniaka PFS in 1QCY22; and
- Commencement of Commence Social and Environmental Baseline Studies as foundation for Environmental and Social Impact Assessment (ESIA)

Company background and asset summary

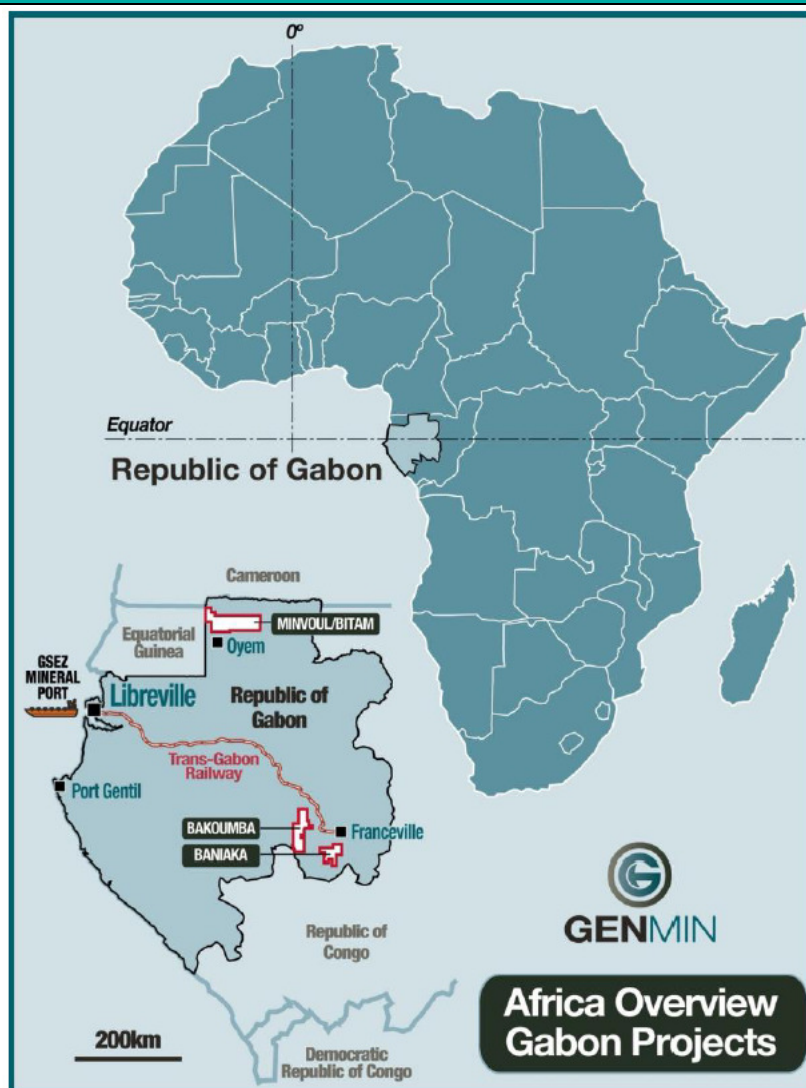
Genmin company overview

Genmin Ltd (GEN.ASX) is an ASX-listed iron-ore exploration and development company, with three early-stage projects in the Republic of Gabon, Central West Africa. Following its incorporation in January 2010, GEN listed on the ASX in March 2021, raising A\$30 million at A\$0.34/sh to fund further studies and advance its projects towards development. GEN holds six Exploration Licences across three projects, covering approximately 5,270km², all of which it owns 100%. The three projects, and their current status, are:

- Baniaka (Resource stage, PFS due 1QCY22);
- Bakoumba (advanced exploration stage); and
- Minvoul/Bitam (early exploration stage).

GEN's strategy for shareholder value creation is formulated around bringing its projects to development. In order to do so, the company will need to advance their Baniaka operation to a PFS stage, secure reliable access to the Trans Gabon railway and ensure sufficient port capacity to service customers.

Figure 1 - Project setting and overview



SOURCE: COMPANY DATA

Project summary

GEN holds six exploration licences across three projects. Baniaka is the most advanced, with a JORC compliant Mineral Resource of 260Mt @ 40% Fe and is working towards the completion of a PFS in 1QCY22. Bakoumba is an advanced exploration stage project, with confirmed mineralisation and a JORC compliant DID and oxide Exploration Target. The Minvoul/Bitam project is at early exploration stage, with no JORC compliant Exploration Target.

Baniaka iron ore project (100%)

Overview: The Baniaka iron ore project consists of two primary regions, Baniaka and Baniaka West, located in the Archean Chaillu Massif in south-eastern Gabon. In July 2021 the company released an updated ore resource of 260.4Mt at 40% Fe. The region hosts Eramet's (ERA:FP) Moanda Manganese Mine, with a JORC Resource of 392Mt and the Nouvelle Gabon Mining's Franceville Manganese mine, with a JORC Resource of 32Mt. Due to existing operations in the region, there is an established rail and port infrastructure network, which GEN intends to utilise. The Trans-Gabon Railway (TGR) runs ~60km north of the Baniaka deposit, providing bulk freight rail services, currently connecting four operating manganese mines to the OMP. Power supply is intended to be sourced from the Grand Poubara Hydro-electric dam, located approximately 30km north-east of Baniaka. The facility currently supplies 80-100MW, with spare capacity of 60-80MW available for domestic and industrial uses in the region. Bulk materials handling capabilities are established at the OMP and GEN has engaged port and coastal engineering firm PRDW to conduct a gap analysis, assessing potential bottlenecks at the OMP. PRDW are currently progressing a port study which is planned to be complete in late CY21.

Resources: In July 2021 GEN provided an update to their mineral Resource at Baniaka. Total Indicated and Inferred Resources of 260.4Mt @ 40% Fe were reported. This Resource update followed the inclusion of historical Auger infill drilling. The primary objective of the program was to increase the confidence categorisation of the DID portion of the Baniaka Mineral Resource.

Table 3 - Baniaka Mineral Resource as at July 2021

Material	Class	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)	LOI ₁₀₀₀ (%)
DID	Indicated	24.0	46.4	17.2	8.4	0.069	0.061	7.4
	Inferred	39.1	46.7	16.5	8.2	0.073	0.080	7.5
Oxide	Inferred	91.6	41.4	33.8	3.0	0.060	0.020	3.2
Primary	Inferred	105.7	34.9	44.1	1.8	0.060	0.030	0.4
Total DID, Oxide & Primary	Indicated & Inferred	260.4	40.0	33.9	3.8	0.063	0.037	3.1

SOURCE: COMPANY DATA

Licensing: In June 2021 GEN submitted an application for a three-year extension to their Exploration Licence at Baniaka, due to expire in August 2022. Renewal of the Licence is currently in process.

Path to Pre-feasibility: The Baniaka PFS will contemplate the development of the Tsengue, Bingamba North and Bandjougoy deposits within the Baniaka project area. The PFS has an estimated cost of A\$15.1m and is due for completion in 1QCY22. The pathway to completion of the PFS includes the following milestones:

- Infill drilling of the DID and Oxide Resource and classification to the higher confidence Indicated and/or Measured categories;

- Pilot plant metallurgical test work of DID and Oxide bulk samples, evaluating head grade, product grades, product yields and generation of samples for Value-in-Use assessment at Central South University in China;
- Mining and infrastructure studies, including the estimation of capital and operating costs, process designs and preparation of the PFS; and
- Commencement of baseline social and environmental studies.

In an announcement on the 15 September 2021, GEN released the first results of its commercial scale pilot plant metallurgical test program. The program is testing 13 bulk samples from Baniaka, with a combined weight of 22.4t. The objective of the test work is to assess ore processing characteristics, product quality and necessary engineering design criteria. The results from five samples have been returned to date, comprising three DID samples and two Soft Oxide ore samples.

The test results confirmed:

- DID iron ore head grades showing an average 114% uplift on the estimated Resource grade for target sample zone. This is a known sampling bias of the auger drilling method used to test the shallow DID material, which preferentially recovers finer grained, lower grade particles over higher grade lump material. It indicates that the grade of the DID portion of the Baniaka Resource may be 15% higher (i.e. ~54% Fe);
- Premium Lump and Fines product grades of 64.1% Fe and 65.1% Fe respectively were returned from the three DID bulk samples with total product yields of 55-65% and a product split ratio of average 42:58 Lump:Fines, with relatively low impurities;
- Standard Lump and Fines product grades of 63.3% Fe and 64.3% Fe respectively were returned from the two soft Oxide bulk samples with total product yields of 30-45% and a product split ratio of ~50:50 Lump:Fines;
- In addition, the company delivered 700kg of lump and 700kg of fines product to Central South University (CSU) in China for value-in-use assessment. The assessment will determine the proposed product suite of GEN products and provide guidance to end use customers.

Table 4 – Pilot plant test work results – Baniaka DID and Oxide bulk samples

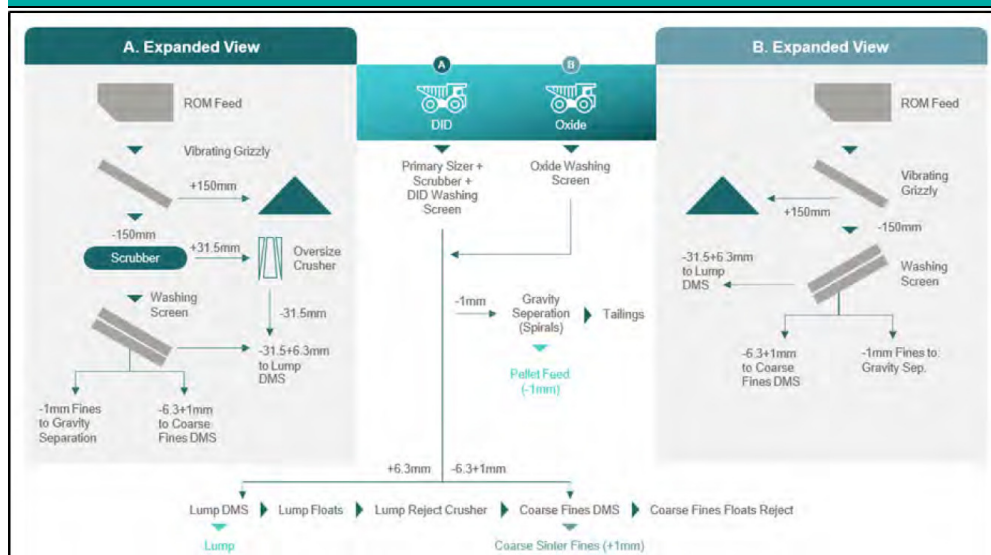
Sample	Prospect	Material Type	Head Grade (%Fe)	Market Products	Mass Yield	Product Grades (%)					
						Fe	Al ₂ O ₃	SiO ₂	P	S	LOI
MIN06039	Bandjougoy	DID	55.8	Lump	27.7	64.8	2.03	2.34	0.074	0.022	3.3
				Fines	37.6	65.2	1.94	1.98	0.070	0.011	3.1
				Total	65.3	65.0	1.98	2.13	0.072	0.016	3.2
REM05647	Bingamba North	DID	62.7	Lump	31.2	64.6	3.74	0.77	0.055	0.010	3.1
				Fines	33.3	65.9	2.64	0.69	0.048	0.010	2.3
				Total	64.5	65.4	3.11	0.72	0.051	0.010	2.6
REM05645	Bingamba North	DID	55.9	Lump	19.5	62.7	2.49	1.98	0.120	0.051	5.0
				Fines	36.0	64.3	2.07	1.55	0.082	0.038	3.5
				Total	55.5	63.6	2.25	1.73	0.098	0.044	4.1
REM05646	Bingamba North	Soft Oxide	42.0	Lump	18.3	65.4	1.38	2.37	0.112	0.013	3.0
				Fines	12.0	65.4	1.48	2.24	0.082	0.018	2.6
				Total	30.3	65.4	1.44	2.30	0.095	0.016	2.8
MIN06035	Bandjougoy	Soft Oxide	48.0	Lump	20.8	61.2	2.41	6.31	0.110	0.017	3.0
				Fines	24.4	63.2	2.11	5.04	0.096	0.011	2.7
				Total	45.2	62.3	2.24	5.58	0.102	0.014	2.8

SOURCE: COMPANY DATA

Overall, the results from the pilot plant test work were highly encouraging and in line with GEN's expectations. A further key takeaway from the program was the successful scaling up of processing volumes compared with prior test work. We view this as a key de-risking

step in the advancement of the project towards development. These results will feed into the detailed design of the process flowsheet. The current, conceptual flowsheet is shown below:

Figure 2 - Conceptual process flowsheet - washing, screening, beneficiation



SOURCE: COMPANY DATA

Notional project development scenario

Information from the current Resource, ongoing drill programs, pilot plant test work results and Independent Geologists Report have informed our key assumptions for a notional project development and operation scenario for Baniaka. These assumptions may vary materially from the key operating and development parameters that we expect to be outlined in the Baniaka PFS.

Our key assumptions include:

Resources: 260Mt @ 40% Fe, including DID material of 63.1Mt @ 46% Fe and Oxide material of 91.6Mt @ 41% Fe.

Mining Inventory and LOM: 220Mt @ 40% Fe, supporting a Life-of-Mine (LOM) of 11 years.

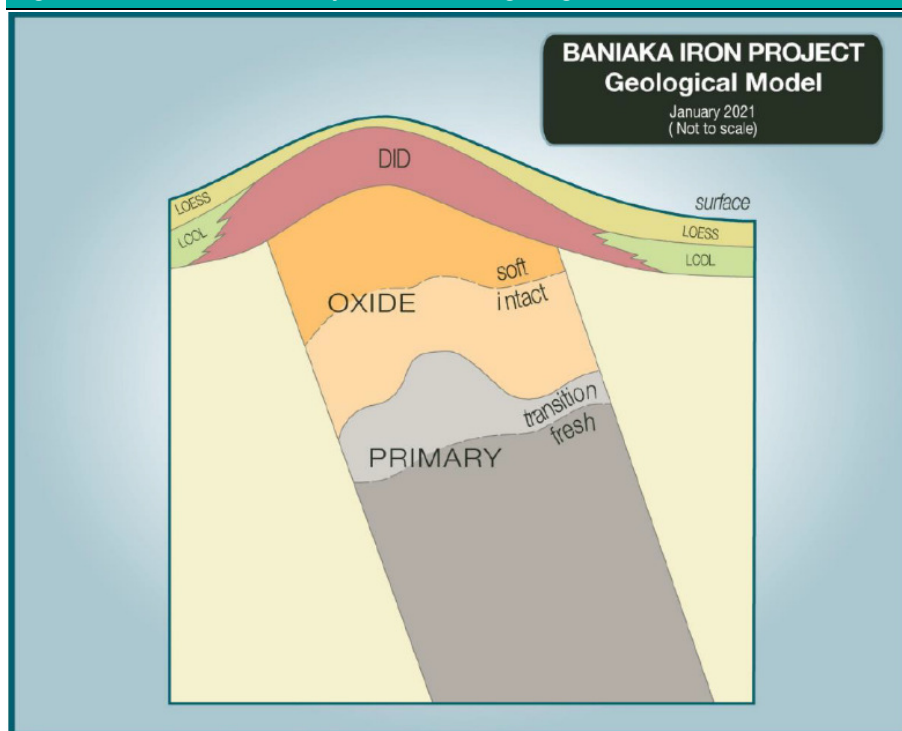
Assumed CAPEX: US\$150m for each of Stages 1 and 2.

Assumed Sustaining CAPEX: US\$15m per annum LOM average

Assumed OPEX: C1 cash costs FOB US\$45-US\$50/wmt.

Production: Initially ramping up to a Stage 1 production rate of 5Mtpa of saleable lump and fines products based on product yields of 60% from DID material. Incorporation of a Stage 2 expansion to a production rate of 10Mtpa to year 6, based on product yields of 60% from DID material. From years 6 to 11 we assume production of 6-7Mtpa based on yields of 40% from oxide material. We anticipate the preferential mining of DID due to its higher grade and easier, cheaper, accessibility.

Figure 3 – Baniaka Iron Ore Project – schematic geological model



SOURCE: COMPANY DATA

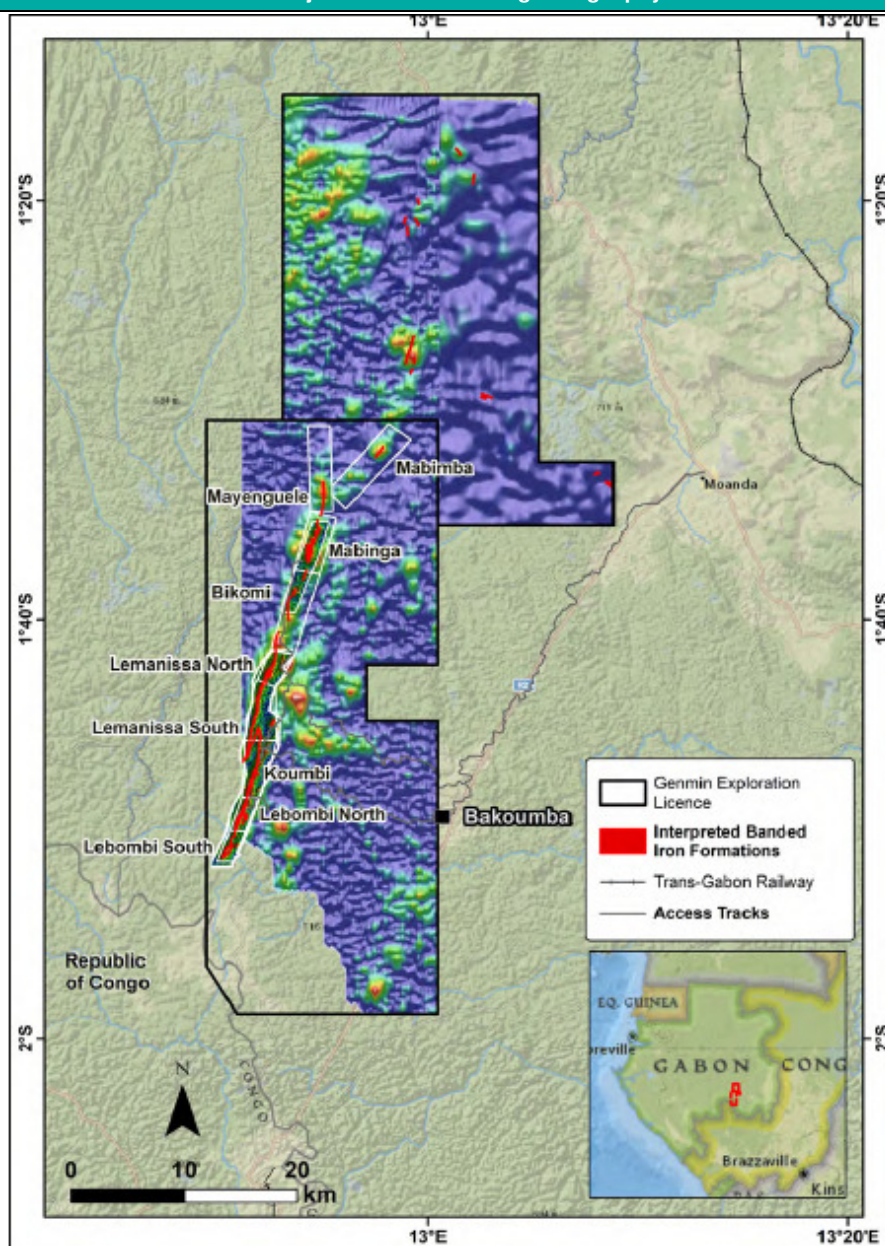
Key operational risks: Logistics and port access:

Capital-efficient development of Baniaka will require the Company to obtain initial and ongoing access to, and available capacity on, the Trans-Gabon Railway and at the Owendo Mineral Port. If GEN is not able to secure initial and ongoing access to and/or sufficient capacity on the Trans-Gabon Railway and Owendo Mineral Port, additional capital will be required to develop dedicated infrastructure, which may not be readily available and/or change the viability of the project.

Bakoumba Iron Ore Project (100%)

Overview: Bakoumba is an advanced exploration project in the Chaillu Massif basement, consisting of nine prospective sites located north-east of Baniaka, south-eastern Gabon. Bakoumba comprises of the Bakoumba exploration licence (1,029km²) and Mafoungui (535km²) exploration licence. The area has historically been a focus of base and precious metals exploration, with manganese operations situated nearby in Moanda.

Geology & historical exploration: Mapping and surface sampling has confirmed a 36km strike length of semi-continuous banded iron formation (BIF) across nine prospective zones similar to that at Baniaka. GEN has conducted exploration activities at Bakoumba since 2014. As at the date of their prospectus, geological mapping identified DID and Oxide in old pits along strike.

Figure 4 – Bakoumba Iron Ore Project – overlaid on magnetic geophysical anomalies

SOURCE: COMPANY DATA

Exploration Target: A conceptual Exploration Target has been estimated for the Bakoumba project. While this is compiled from technical data, it is insufficient to estimate a Mineral Resource.

Table 5 – Exploration Target estimate for the Bakoumba Project

Material	Tonnage (Mt)		Grade (% Fe)	
	Low	High	Low	High
DID	7	36	30	55
Soft Oxide	34	174	40	50
Intact Oxide	43	191	35	45
Primary	1,000	1,900	25	35

SOURCE: COMPANY DATA

Licenses & permitting: In October 2020, GEN applied to extend for a third term, the Bakoumba exploration licenses for a further three years, this was subsequently amended to six years, the results of which are pending approval.

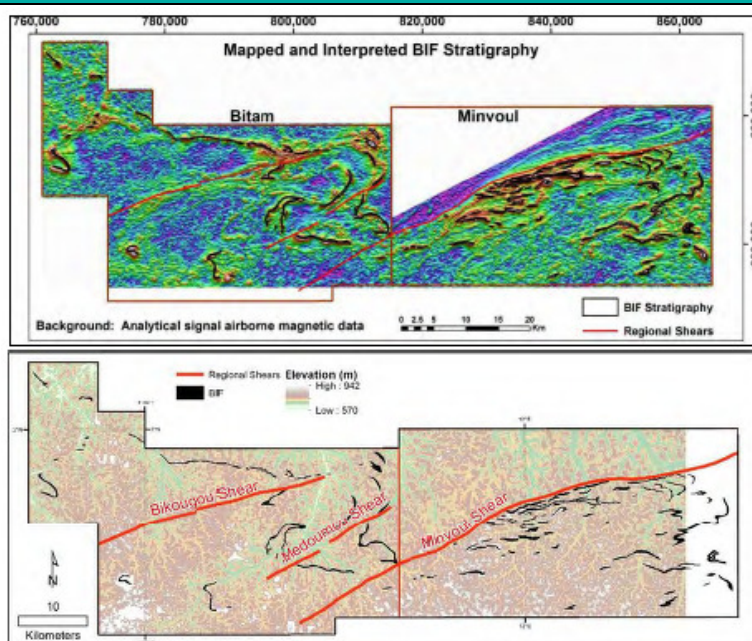
Planned works: GEN plans to undertake a maiden auger drilling campaign targeting the DID material over the next 24 months, the budget for which (see Use of Funds, Table 6, p14) is up to A\$1.77m.

Additional Considerations – In 2014, a subsidiary of GEN entered into a sale and purchase agreement and royalty deed with Atlantic Iron with respect to the Minvoul and Bakoumba exploration licenses. Under the agreement, upon realisation of a mineral resource greater than 750Mt with an iron ore grade of not less than 35% Fe, consideration of US\$2m must be paid to Atlantic Iron and an ongoing royalty stream of US\$1.5 per dmt extracted and recovered. The royalty period ends on the date for which payments from GEN to Atlantic Iron reach US\$30m.

Minvoul/Bitam Iron Ore Project (100%)

Location: The Minvoul/ Bitam project consists of two exploration licences covering over 2,800km² in northern Gabon, central West Africa. The licences are hosted in the Archean North Gabon Massif, which extends into Cameroon. The Minvoul/Bitam exploration licences are located approximately 60km north-east / 40km north of the town of Oyem.

Figure 5 – Minvoul/Bitam prospective target zones



SOURCE: COMPANY DATA

Planned work: GEN intends to conduct further sampling in the region for selected iron targets and conduct reconnaissance mapping and sampling for copper-gold mineralisation in the identified prospective areas.

Geology & historical exploration: There has been limited historical exploration for iron ore in the region. Assay results from 36 rock chip samples believed to be conducted by Rio Tinto in 2007, returned between 32.5% and 59.5% Fe content. GEN conducted a series of mapping exercises collecting a total of 155 rock chip samples, with 132 samples of BIF or enriched BIF yielding iron content values between 22.4% and 64.1% (average grade 45.6%). In March 2018, following favourable results from historical mapping campaigns, GEN conducted a 25,856 line km of high resolution airborne magnetic and radiometric survey data over Bitam and the prospective sections of Minvoul, concluding that magnetic

anomalies identified are coincident with iron mineralisation and defining three main shear zones. The estimated strike length is 180km at Minvoul and 137km at Bitam. The Bitam exploration licence is also prospective for copper and gold mineralisation, with six target areas being identified in the north-west, south-west of the exploration zone and along the Bikougou shear zone.

Investing in Gabon

- **Investment Environment** - The President of Gabon has noted the need to diversify from traditionally an oil reliant economy, part of that process includes attracting foreign investors to exploit Gabon's mineral resources. In the past, mining companies like BHP have been attracted to the area, however weren't able to bring production operations to fruition.
- **Licencing** – There are three types of licences issued by the ministry of Mines, Energy and Petroleum; 1) Prospecting – valid for 1 year, intended for regional reconnaissance, 2) Exploration valid for 3 years, with options to renew for two further periods of 3 years, and 3) Mining - split into two categories: i) small scale mining permits granted for 5 years with unlimited renewals, conditional upon 35% of the company's share capital being held by Gabonese nationals, or, ii) large scale mining permits, granted subject to mine life, typically 10 years duration (renewable for periods of 5 years) or 20 years duration (renewable for periods of 10 years).. All of GEN's current licenses are for exploration. Should the company progress to development, a separate mining licence will need to be acquired.
- **Government Ownership** – The government of Gabon has the right to 10% free-carry stake in any mining company in the exploitation phase. At the Government's option, the interest may be increased to up to 25% at market value. Should GEN progress to exploitation, the potential dilution from Government involvement would need to be considered.
- **Tax policy** - The corporate tax rate in Gabon is 30% for mining operations, exempt for the first five years of a large scale mining permit, or until the declaration of a return on investment, whichever is earliest. Additional royalties for base metals and other substances are 5-10%.
- **Currency** – GEN's accounts are presented in US dollars. The Functional currency is the Central African Franc.
- **Prior developments** – In 2012, BHP exited a once promising deposit in Belinga, north-east Gabon, following the decision to withdraw from a number of West African investments. A Reuters article at the time quoted large opportunities which faced significant political uncertainty and high upfront infrastructure expenditure hurdles.

Capital structure and financials

Financials

GEN is a pre-production, project development company that is dependent upon the provision of debt project finance and the support of the equity capital markets to meet its funding requirements. The company currently has no source of its own cash generation or income. As such, GEN is classified as a Speculative Investment under Bell Potter's recommendation framework.

GEN's Baniaka iron ore project is the most advanced in its asset portfolio. It is approaching the completion of a PFS, targeted for release in 1QCY22. No formalised development schedule has been released to the market, but we would anticipate the completion of a Final Feasibility Study around the end of CY22, followed closely by a final investment decision (FID). Allowing for a 12 month construction period, first production and revenues could be achieved in early CY24.

Current balance sheet and near-term capital requirements: net cash A\$25.7m

GEN last reported a cash position of US\$19.3m (A\$25.7m) as at 30 June 2021. An update was provided on the use of funds as laid out in the Prospectus and compared with actual expenditure to date. The funds allocated by Genmin for its work program to end CY22 were judged by consultants, SRK, to be sufficient to sustain the planned exploration activities over the 24-month budget period.

Table 6 – GEN – use of funds as reported at end June 2021

Category	Prospectus AU\$	Prospectus US\$	Actual US\$	Variance US\$
Baniaka Preliminary Feasibility Study	15,146,000	11,662,000	953,166	10,708,834
Bakoumba Resource Definition	1,766,000	1,360,000	12,732	1,347,268
Minvoul/Bitam Regional Exploration	476,000	367,000	1,877	365,123
Capital Items	670,000	516,000	60,420	455,580
General and Administration	1,831,000	1,410,000	63,418	1,346,582
Expenses of the Offer ²	2,621,000	2,018,000	1,955,427	62,573
Working Capital	7,490,000	5,767,000	721,597	5,045,403
Total	30,000,000	23,100,000	3,768,638	19,331,362

SOURCE: COMPANY DATA

Equity outstanding

GEN currently has 404.7m fully paid ordinary shares on issue, including 122.4m (30.2%) held under mandatory and voluntary escrow. Escrow arrangements apply primarily to shares held by MD and CEO, Joe Ariti, and major shareholder, Tembo Capital, prior to the completion of the March 2021 IPO. The escrow period ends 24 months after listing, on 10th March, 2023.

GEN has 17.0m unlisted options and Performance Rights outstanding, including 4.3m employee performance rights (1.2m restricted) and 12.7m options (10.2m restricted). Combined, the options and Performance Rights represent 4.2% of GEN's issued capital.

The table overleaf summarises GEN's current capital structure:

Table 7 - GEN capital structure summary

Shares on issue	m	282.3
Escrow shares / other	m	122.4
Total shares on issue	m	404.7
Share price	\$/sh	0.170
Market capitalisation	\$m	68.8
Net cash	\$m	26.6
Enterprise value (undiluted)	\$m	42.2
Options outstanding	m	17.0
Options (in the money)	m	15.5
Issued shares (diluted for options)		420.2
Market capitalisation (diluted)	\$m	71.4
Net cash + options	\$m	26.6
Enterprise value (diluted)	\$m	44.8

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Share register

GEN's largest shareholder is Tembo Capital, which holds 61.3% of issued capital. Tembo is a resource sector focussed private equity firm which provided growth capital to GEN via pre-IPO funding rounds and the issue of US\$3.0m in unsecured Convertible Notes. These were converted into equity (12.2m shares) as part of the IPO of March 2021.

Managing Director and CEO, Joe Ariti, holds 14.2m ordinary shares, for a 3.5% shareholding. Chris Ellison, Managing Director of Mineral Resources (MIN, Buy, TP\$61.85/sh), is also on the register.

Table 8 - GEN top shareholders

Major shareholders	%	shares
Tembo Capital	61.3%	248m
GV Ariti	3.5%	14.2m
Chris Ellison	1.8%	7.4m

SOURCE: IRESS, COMPANY REPORTS

As at 30 June 2021, the Company had 478 shareholders, with 87.6% of the fully paid ordinary shares on issue held by the Top 20 shareholders.

Quarterly cash flows

The table below summarises GEN's quarterly cash flows for the last 3 years (December financial year end) and the subsequent 2 quarters since listing in March 2021.

Table 9 - Quarterly cash flow summary (US\$'000)

Year/ Quarter Ended	CY18	CY19	CY20	Mar-21	Jun-21
Development	0	0	0	0	0
Exploration & evaluation	0	0	0	0	-170
Staff, administration & corporate	-1,728	-1,684	-2,122	-916	-820
Other operating	1	1	1	2	3
Total operating cash flows	-1,727	-1,683	-2,122	-914	-987
Total investing cash flows	-7,834	-2,551	-1,217	-243	-732
Proceeds from shares/note issues, net of costs	10,069	3,332	4,055	24,486	75
Net proceeds from/(repayment of) borrowings net of costs	0	-66	-86	0	0
Other financing cash flows	0	-10	-11	-2,796	-26
Total financing cash flows	10,069	3,256	3,957	21,690	49
Beginning cash balance	1,605	1,048	218	868	21,320
Total change in cash	-557	-830	650	20,452	-2,052
Ending cash balance	1,048	218	868	21,320	19,268

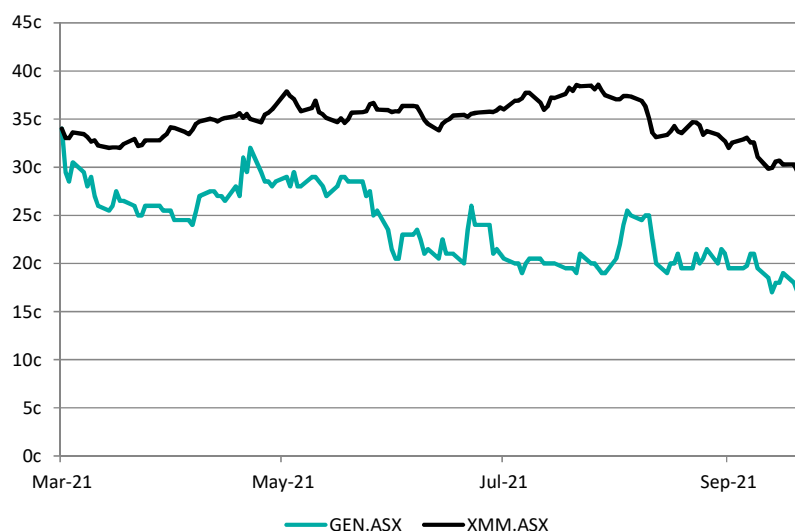
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Over the last three years, investing cash flows have totalled US\$12.6m. Corporate, administration and evaluation costs are running at ~US\$2m per annum, albeit with additional costs incurred in 1QCY21 with GEN's IPO. The IPO raised A\$30m (gross) at A\$0.34/sh, for net proceeds of US\$21.7m.

Share price performance vs ASX Metals and Mining Index

Relative performance chart below:

Figure 6 - GEN relative share price performance vs XMM



SOURCE: BLOOMBERG AND BELL POTTER SECURITIES ESTIMATES

GEN's relative performance has lagged the ASX Metals & Mining Index since listing in early March 2021. This is despite:

- the fundamentals of the underlying iron ore exposure having been broadly favourable (until the recent, rapid, iron ore price correction);
- GEN having delivered on key development milestones since listing, including returning positive results from Resource updates and metallurgical and pilot process plant test work programs; and
- being well funded to complete its work programs, with A\$25.7m cash on hand at end June 2021.

In our view, the positive progress being made in the execution of the development program for Baniaka is reducing the risk profile of the project and this has not been reflected in GEN's market valuation. However, as major milestones such as the completion of the Baniaka PFS are achieved, we would expect this latent valuation uplift to be realised and be a positive catalyst for GEN's share price.

Board and Management

Board of directors

Mr Michael Arnett – Non-Executive Chairman

Mr Arnett is a former consultant to, partner of and member of the Board of Directors and national head of the Natural Resources Business Unit of the law firm Norton Rose Fulbright (formally Deacons). He has been involved in significant corporate and commercial legal work for the resource industry for over 20 years. He has a Bachelor of Laws and Bachelor of Commerce, both from the University of New South Wales. Mr Arnett is currently Chairman and Non-Executive Director of NRW Holdings Limited (ASX: NRW), a group of companies providing diversified services to the resources, civil infrastructure and urban development sectors.

Mr Giuseppe (Joe) Ariti – Managing Director & CEO

Mr Ariti is an experienced company director and mining executive with over 30 years' experience in technical, management and executive roles including developing, managing and financing mining projects in Australia, Indonesia, PNG and the West Africa region. He was a director of Australian iron ore producer Territory Resources Limited when it was taken over by Hong Kong based commodities trading company Noble Group. He was also a founding director of African Iron Limited, an entity developing iron ore assets in the Republic of Congo until March 2012 at which time it was taken over by Exxaro Resources Limited (Exxaro).

Mr Brian van Rooyen – Independent Non-Executive Director

Mr van Rooyen is a South African national currently residing in South Africa. He has a degree in Mechanical Engineering and an MBA, both from the University of Pretoria, South Africa. He spent most of his early career working in a wide variety of technical and senior managerial roles in the primary steel and stainless-steel industries. From 1997 he pursued a career in strategy and new business development with Kumba Resources Limited. In 2006, he joined Exxaro, a mining company listed on the Johannesburg Securities Exchange (JSE: EXX).

Mr John Hodder – Non-Executive Director

Mr Hodder is a founding principal of Tembo Capital, a mining private equity fund, which specialises in African and emerging markets. He has over 30 years' experience in the resources industry. He initially worked as a geologist and then in project evaluation for both mineral and oil and gas companies. In 1995, Mr Hodder worked for an international finance corporation financing resources projects within emerging markets, where he gained skills in both project finance and private equity. After that he worked in the funds management industry within Australia where he was directly involved in investing in resources companies listed on the ASX.

Mr Salvatore (Piero) Amico – Non-Executive Director

Mr Amico has a degree in Metallurgical Engineering from Université de Mons, and in 2003 completed the Advanced Management Programme at INSEAD, France. Between 2013 and October 2018 he was the General Representative of Eramet (ERA.PA) in Gabon. Eramet (through its majority holding in COMILOG) owns the Moanda Deposits. Eramet is also the majority owner of SETRAG, the entity operating the Trans-Gabon Railway. Amongst other responsibilities, whilst Mr Amico was the General Representative of Eramet in Gabon, he oversaw the final permitting and government negotiations, construction and commissioning of the EUR228 million COMILOG metallurgical plant.

Source: Company website (<https://www.genminigroup.com/board-of-directors/#>) and 2020 annual report).

Resource sector risks

Risks to GEN include, but are not limited to:

- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. GEN's assets are located in the Republic of Gabon, a former French colony on the west coast of Africa. In 2019 it implemented a new mining code aimed at attracting increased investment by reducing government fees and taxes and strengthening security of tenure. Gabon's economy relies heavily on oil and manganese exports.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. GEN's assets are in Gabon, a country with sovereign debt rated as a high credit risk by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Table 10 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending December	Unit	2020a	2021e	2022e	2023e	2024e	Year ending June	Unit	2020a	2021e	2022e	2023e	2024e
Revenue	US\$m	-	-	-	-	256.9	VALUATION						
Expense	US\$m	(2.3)	(6.1)	(7.4)	(7.4)	(155.4)	NPAT	US\$m	(2.8)	(6.1)	(7.2)	(7.4)	73.9
EBITDA	US\$m	(2.2)	(6.1)	(7.4)	(7.4)	101.5	Reported EPS	Ac/sh	(1.3)	(2.3)	(2.5)	(1.8)	14.3
Depreciation	US\$m	(0.1)	-	-	-	(19.6)	Adjusted EPS	Ac/sh	(1.3)	(2.3)	(2.5)	(1.8)	14.3
EBIT	US\$m	(2.3)	(6.1)	(7.4)	(7.4)	82.0	EPS growth	%	nm	nm	nm	nm	nm
Net interest expense	US\$m	(0.1)	-	0.2	0.1	0.3	PER	x	nm	nm	nm	nm	1.2x
Unrealised gains (Impairments)	US\$m	(0.0)	-	-	-	-	DPS	Ac/sh	-	-	-	-	-
Other	US\$m	(0.4)	-	-	-	-	Franking	%	0%	0%	0%	0%	0%
PBT	US\$m	(2.8)	(6.1)	(7.2)	(7.4)	82.3	Yield	%	0%	0%	0%	0%	0%
Tax expense	US\$m	-	-	-	-	8.3	FCF/share	Ac/sh	(1.5)	(2.4)	(4.0)	(33.9)	16.0
NPAT (reported)	US\$m	(2.8)	(6.1)	(7.2)	(7.4)	73.9	P/FCFPS	x	(11.2)	-7.0x	-4.3x	-0.5x	1.1x
NPAT (underlying)	US\$m	(2.8)	(6.1)	(7.2)	(7.4)	73.9	EV/EBITDA	x	-19.3x	-7.0x	-5.7x	-5.7x	0.4x
							EBITDA margin	%	nm	nm	nm	nm	40%
							EBIT margin	%	nm	nm	nm	nm	32%
							Return on assets	%	-11%	-17%	-17%	-6%	30%
							Return on equity	%	-12%	-19%	-18%	-12%	63%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	2	(17)	(5)	80	(3)
							ND / E	%	9%	-39%	-15%	97%	-2%
							ND / (ND + E)	%	8%	-65%	-17%	49%	-2%
							EBITDA / Interest	x	nm	nm	43.8x	141.3x	-338.8x
							ORE RESERVES AND MINERAL RESOURCES						
							Baniaka Iron Ore Project (100%)						
							Mineral Resources						
							Measured						
							Indicated						
							Inferred						
							Total						
							ASSUMPTIONS - Prices						
							Year ending June (avg)						
							Unit	2020a	2021e	2022e	2023e	2024e	
							Iron ore fines @ 62% Fe CFR	US\$/t	\$109	\$174	\$110	\$98	\$95
							Iron ore lump @ 63% Fe CFR	US\$/t	\$122	\$195	\$123	\$109	\$107
							Currency						
							AUD:USD	A\$/US\$	0.69	0.73	0.74	0.74	0.74
							ASSUMPTIONS - Production & costs						
							Year ending June						
							Unit	2020a	2021e	2022e	2023e	2024e	
							Ore shipped						
							Ore tonnes processed	kt	-	-	-	-	4,500
							Product sold	kt	-	-	-	-	2,700
							Costs						
							C1 Cash costs / dmt	US\$/dmt	-	-	-	\$0	\$45
							All-in-Sustaining-Costs (AISC)	US\$/dmt	-	-	-	-	\$59
							VALUATION						
							Ordinary shares (m)						
							Options in the money (m)						
							Diluted m						
							Sum-of-the-parts valuation						
							A\$m						
							A\$/sh						
							Baniaka (risk discount 75%, NPV12%)						
							Other exploration						
							Corporate overheads						
							Subtotal						
							Net cash (debt)						
							Total (undiluted)						
							Add options in the money (m)						
							Add cash						
							Total (diluted)						
							CAPITAL STRUCTURE						
							Shares on issue						
							Escrow shares / other						
							Total shares on issue						
							Share price						
							A\$/sh						
							Market capitalisation						
							A\$m						
							Net cash						
							A\$m						
							Enterprise value (undiluted)						
							A\$m						
							Options outstanding (m)						
							(wtd avg ex. price A\$0.14 per share)						
							Options (in the money)						
							Issued shares (diluted for options)						
							Market capitalisation (diluted)						
							A\$m						
							Net cash + options						
							A\$m						
							Enterprise value (diluted)						
							A\$m						
							MAJOR SHAREHOLDERS						
							Shareholder						
							% m						
							Tembo Capital						
							61.3% 248.2						
							GV Ariti						
							3.5% 14.2						
							Chris Ellison						
							1.8% 7.4						

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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