

## Millennial Potash Corp. (TSXV: MLP)

### PEA Confirms Viability of a Low-Cost Potash Mine in Africa

**BUY**

**Current Price: C\$0.28**

**Fair Value: C\$1.52**

**Risk: 5**

Sector: Junior Resource

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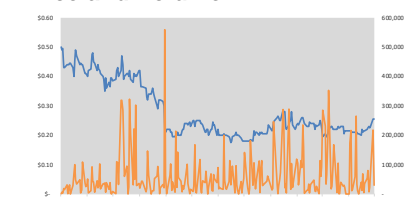
### Highlights

- A Preliminary Economic Assessment (PEA) on the Banio potash project in Gabon, Western Africa, returned robust economics, with an **AT-NPV10% of US\$1.1B**, and a **high AT-IRR of 33%**, using US\$387/t granular Muriate of Potash (gMOP) vs the spot price of US\$305/t. MLP is trading at just 1% of the AT-NPV10%.
- The project can be advanced to production within three to four years. We believe Banio **stands out among undeveloped potash projects** with its comparatively low initial CAPEX of US\$480M, and OPEX of US\$61/t, attributed to its amenability to solution mining.
- We believe there is **significant resource expansion potential** as the current estimate only covers 1.5% of the project area. MLP is aiming to complete a resource update in H2-2024.
- The target markets for Banio's potash are **Brazil and Africa**. Brazil imports 95% of its potash demand from Canada, Russia, and Belarus.
- **Potash prices** are down 22% YoY, but up 11% QoQ, to US\$305/t vs the 15-year average of US\$302/t. With fertilizer prices stabilizing, we are cautiously optimistic, and anticipate a recovery in demand in 2024, driven by increased spending by farmers.
- **Upcoming catalysts** include project financing, and an updated resource update.

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### Price and Volume



	YTD	12M
MLP	27%	-35%
TSXV	8%	-3%
S&P 500 Fertilizer & Ag Chemicals	5%	-8%

### Company Data

52 Week Range	C\$0.14 - C\$0.50
Shares O/S	58M
Market Cap.	C\$16M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	1.6x

### Key Financial Data (C \$) - YE: August 31

	H1-2024
Cash	\$1,158,499
Working Capital	\$1,253,082
Total Assets	\$7,343,023
Revenue	-
Net Income (Loss)	-\$1,604,489
EPS	-\$0.03

See last page of this report for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

## Banio Potash Project

Located in the potash-rich Congo Evaporite basin in Gabon, which hosts several large potash deposits

Gabon's hosts several majors such as Fortescue (ASX: FMG), Eramet (ENXTPA: ERA), Total (NYSE:TTE), and Shell (NYSE: SHEL)

Based on a 25-year mine life, the PEA returned an AT-NPV10% of US\$1.1B, and a high AT-IRR of 33%, using US\$387/t MOP vs the spot price of US\$305/t

Compared to our estimates, the PEA used higher annual production, CAPEX, and product prices, but lower OPEX

We note that OPEX/CAPEX are relatively low as the deposit is amenable to solution mining

### Location Map



Source: Company

### 2024 PEA Highlights

2024 PEA Highlights		FRC Estimates
AT-NPV10%	US\$1.07B	US\$172M
AT- IRR	32.6%	
Payback Period	1.4 years	
Life of Mine (LOM)	25 years	30 years
Average Annual Production of gMOP	800,000 tonnes	400,000 tonnes
Initial CAPEX	US\$480M	US\$300M
gMOP Price	US\$387/t	US\$302/t
NaCL price (99% purity)	US\$100/t	
Shipping Cost - Brazil	US\$22/t	US\$90/t
OPEX	US\$61/t	

Source: Company / FRC

Per the PEA, enriched brine extracted through solution mining will be transported via pipelines to a processing plant in Mayumba, located 50 km north of the Banio project. The processing plant **transforms brine into granular fertilizer** through evaporation, crystallization, drying, and compaction. The final product will be **shipped to market from a deep-water port** in Mayumba. The PEA assumes MLP will build its own independent power station.

The Gabonese government, in collaboration with its partners, is advancing plans to **construct a deep-water port** in Mayumba. We believe that unforeseen delays or

cancellations could prompt MLP to seek alternative transportation solutions for potash exports to international markets.

*Banio hosts a large-tonnage/low-grade potash deposit*

*The deposit is dominated by low-grade carnallite mineralization*

*The resource envelope measures 5 km (length) x 3 km (width) x 0.2 km (thickness)*

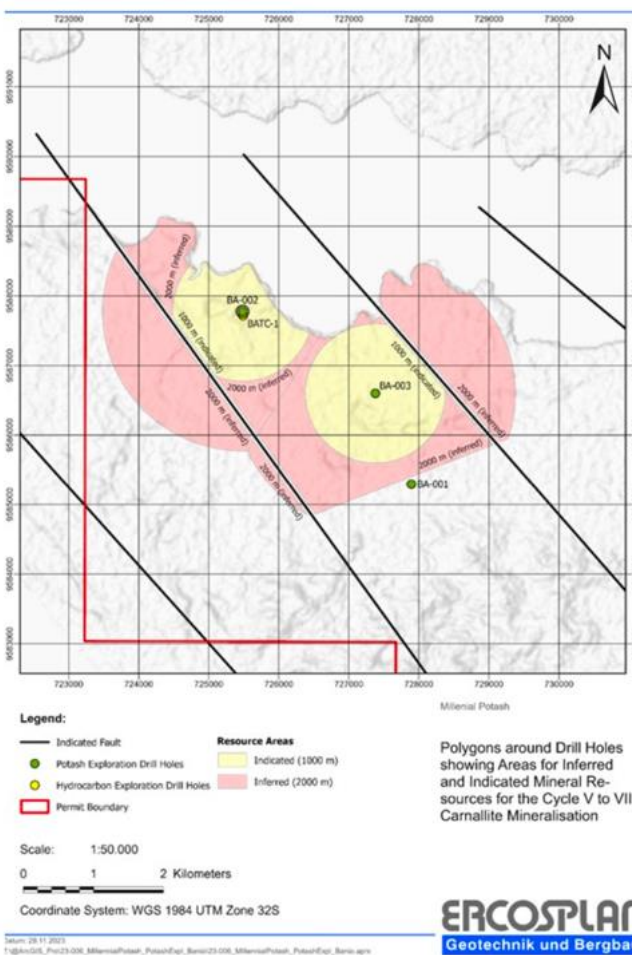
*Mineralization has been identified at depths ranging between 230 m and 520 m below surface; we note that Banio's potash beds are shallow compared to projects in Saskatchewan (800-1,500 m deep)*

*We believe there is potential for resource expansion as the current resource accounts for only 1.5% of the project area*

**Banio Resource Estimate**

Mineralogy	Tonnage (Mt)	Grade % KCl	Tonnage (Mt KCl)
<b>Indicated</b>			
Sylvinite	20	21.6	4
Carnallitite	637	15.8	100
<b>Total (CT+SYL)</b>	<b>657</b>	<b>15.9</b>	<b>105</b>
<b>Inferred</b>			
Sylvinite	44	21.2	9
Carnallitite	1,115	15.8	176
<b>Total (CT+SYL)</b>	<b>1,159</b>	<b>16.0</b>	<b>185</b>

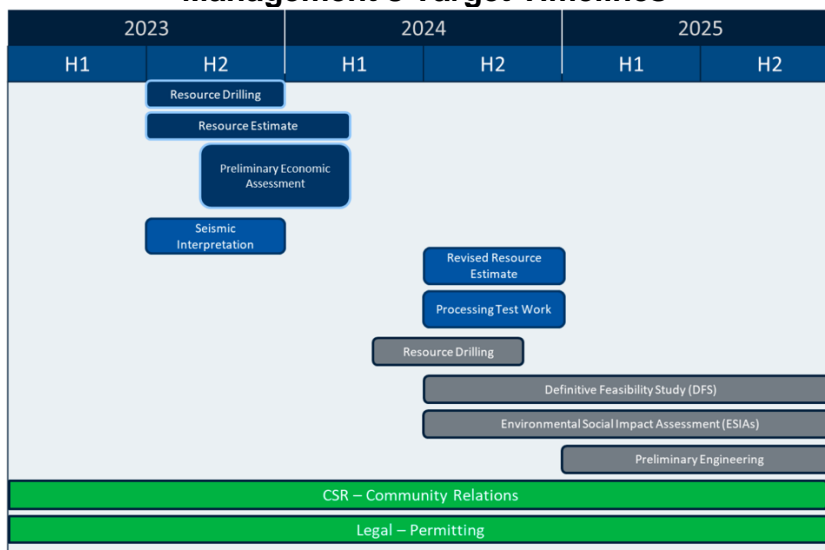
**Resource Envelope**



Source: Company

Management aims to complete a resource update in H2-2024, followed by engineering studies for a feasibility study

### Management's Target Timelines



Source: Company

### Financials

\$1.25M in working capital at the end of February 2024

We anticipate an equity financing shortly

(C \$) - YE: August 31	H1-2024
Cash	\$1,158,499
Working Capital	\$1,253,082
Current Ratio	2.80
Monthly Burn Rate (G&A)	-\$150,864
Cash from Financing Activities	\$997,311
Cash Spent on Properties/Othes	-\$1,063,658

Options	#	Exercise Price	Amount
Total	5,766,000	\$0.45	\$2,603,700
In-the-Money	-	-	-

Warrants	#	Exercise Price	Value
Total	6,334,488	\$0.69	\$4,339,418
In-the-Money	-	-	-

Source: FRC / Company

## FRC Valuation

After incorporating inputs from the PEA, our DCF valuation increased from \$1.02 to \$1.52/share, primarily driven by higher annual production

Our valuation is more conservative, with lower long-term product prices, and higher discount rates (unchanged)

Our valuation is highly sensitive to key inputs

DCF Valuation	800,000 tpa
Operating Life (years)	25
Weighted Avg. Product Price (US\$/t)- 15-year average	\$302
Royalties/Free-Carried Interest to the Gabonese Govt.	7.5%/10%
Exchange Rate (C\$:US\$)	1.35
Avg. Operating Cost in US\$/t	\$90
Initial CAPEX (US\$M)	\$480
Discount Rate	14.6%
<b>After-Tax Net Asset Value (C\$), net of remaining payments to acquire a 100% interest</b>	<b>\$109,560,340</b>
Working Capital (assuming MLP completes a \$3M equity financing this year)	\$3,725,921
No. of Shares	74,482,286
<b>Fair Value per Share (C\$)</b>	<b>\$1.52</b>

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Exchange Rate (C\$:US\$)	1.15	-\$0.13	\$0.55	\$1.29	\$3.97	\$6.70
	1.25	-\$0.14	\$0.61	\$1.41	\$4.32	\$7.28
	1.35	-\$0.15	\$0.66	<b>\$1.52</b>	\$4.66	\$7.87
	1.40	-\$0.15	\$0.68	\$1.58	\$4.84	\$8.16
	1.45	-\$0.16	\$0.71	\$1.64	\$5.01	\$8.45

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Operating Cost (US\$/t)	\$70.00	\$0.55	\$1.35	\$2.22	\$5.36	\$8.57
	\$80.00	\$0.20	\$1.01	\$1.87	\$5.01	\$8.22
	\$90.00	-\$0.15	\$0.66	<b>\$1.52</b>	\$4.66	\$7.87
	\$110.00	-\$0.85	-\$0.04	\$0.82	\$3.96	\$7.17
	\$130.00	-\$1.54	-\$0.74	\$0.12	\$3.26	\$6.47

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Discount Rate	7.5%	\$4.18	\$5.93	\$7.82	\$14.67	\$21.66
	10.0%	\$2.00	\$3.29	\$4.70	\$9.78	\$14.97
	14.6%	-\$0.15	\$0.66	<b>\$1.52</b>	\$4.66	\$7.87
	17.5%	-\$0.81	-\$0.19	\$0.48	\$2.89	\$5.36
	20.0%	-\$1.16	-\$0.66	-\$0.12	\$1.84	\$3.84

Source: FRC

**We are reiterating our BUY rating, and raising our fair value estimate from \$1.02 to \$1.52/share.** We believe the robust PEA, driven by low CAPEX/OPEX, has significantly enhanced the project's attractiveness, and ability to secure project financing.

### Risks

We believe the company is subject to the following key risks:

- The value of the company is dependent on potash prices
- **Exploration and development**
- FOREX and geopolitical
- **Access to capital and potential for share dilution**

*Maintaining our risk  
rating of 5 (Highly  
Speculative)*

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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