

## Millennial Potash Corp. (TSXV: MLP / OTCQB: MLPNF / FSE: X0D)

### Leveraging Gabon's Strategic Location and Infrastructure Advancements

**BUY**

**Current Price: C\$0.29**

**Fair Value: C\$1.38**

**Risk: 5**

#### Sector: Junior Resource

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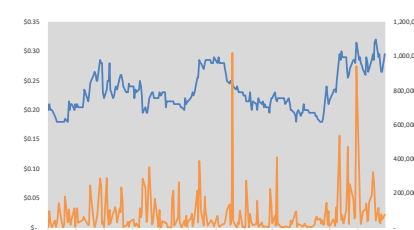
#### Highlights

- Since our last report in May 2024, the Banio potash project area has seen considerable infrastructure development. Ongoing **construction of a deep-port facility, and a power plant**, is expected to greatly reduce operational risks for the project.
- MLP has raised \$1.7M as part of **an ongoing \$3.8M equity financing** (increased from the original \$3.4M due to strong investor appetite), including \$3M from an insider, to fund drilling and initiate environmental studies.
- The Banio project hosts a large-tonnage/low-grade potash resource. We believe there is **significant resource expansion potential**, as the deposit remains open in multiple directions, with the current estimate covering only 1.5% of the project area. MLP is targeting a resource update in Q1-2025.
- A Preliminary Economic Assessment (PEA) conducted earlier this year reported robust economics, with an AT-NPV10% of US\$1.1B, and a high AT-IRR of 33%, using a long-term average price of US\$387/t granular Muriate of Potash (gMOP). At the current spot price of US\$278/t, **the PEA would yield an AT-NPV10% of US\$663M**, and an after-tax IRR of 26%. MLP is **trading at just 2%** of the AT-NPV10% based on the spot price.
- 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.
- The target markets for Banio's potash are **Brazil and Africa**, both of which import most of their potash consumption. Gabon's proximity to Brazil implies that MLP should have lower transportation costs than other potash suppliers.
- Potash prices are down 16% YoY, to US\$278/t vs the 15-year average of US\$302/t. Last month, the Belarusian President proposed **consulting with Russia to reduce their combined production** by 10% in an effort to boost prices. As Russia and Belarus account for approximately 35% of global potash supply, we believe the potash market is highly **susceptible to supply chain disruptions**.
- **Upcoming catalysts** include drilling, and an updated resource update.

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Head of Research

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Equity Analyst

#### Price and Volume



	YTD	12M
MLP	32%	61%
TSXV	10%	14%
S&P 500 Fertilizer & Ag Chemicals	7%	14%

#### Company Data

52 Week Range	C\$0.17 - C\$0.36
Shares O/S	77M
Market Cap.	C\$23M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.0x

#### Key Financial Data

(C \$) - YE: August 31

**Q3-2024**

Cash	\$598,025
Working Capital	\$527,403
Total Assets	\$10,815,182
Revenue	-
Net Income (Loss)	-\$2,181,264
EPS	-\$0.04

*\*Subsequent to Q3-FY2024, MLP raised \$3M through equity financings, and an additional \$1.7M from an ongoing \$3.8M financing. See last page of this report for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.*

## Banio Potash Project

We believe that both the port and power plant will significantly reduce operational and transportation risks associated with the Banio potash project.

- The Gabonese government, in partnership with private investors, has initiated construction and development of the **Mengali port in Mayumba**. Phase one of this project is expected to be completed by 2025.
- Additionally, **a new thermal power plant** in southern Mayumba is under construction. This project is a joint venture between the Gabonese government, Gabon Power Company, and Perenco Oil & Gas Gabon. Phase one of the power plant is scheduled for completion in July 2025.

### Location Map



Source: Company

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

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

MLP plans to transport the enriched brine extracted through solution mining via pipelines to a processing plant in Mayumba, located 50 km north of the Banio project. The processing plant will **transform brine into granular fertilizer** through evaporation, crystallization, drying, and compaction.

The company plans to ship the final product to its target markets via the Mengali port

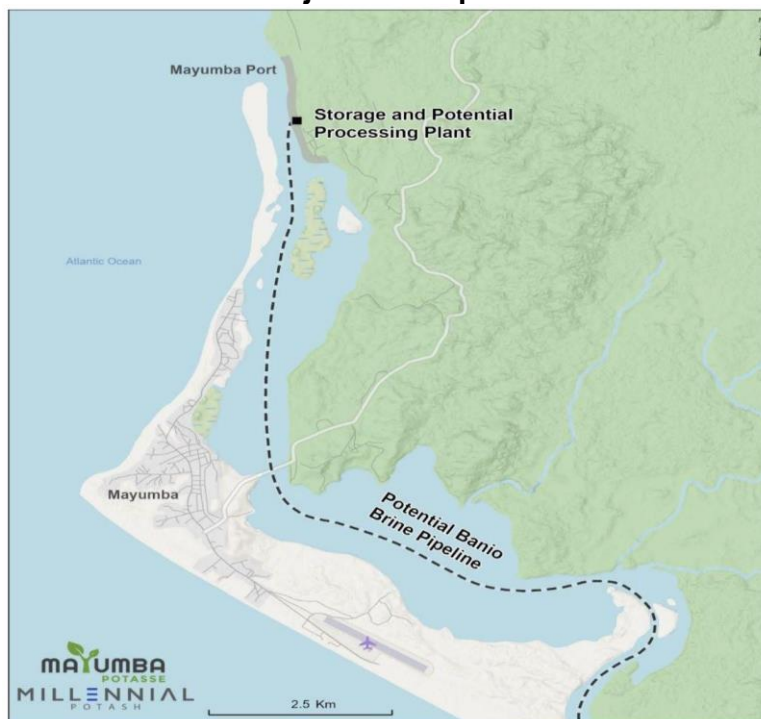
Gabon's proximity to Brazil gives MLP a transportation cost advantage over other global suppliers

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

At the current spot price of US\$278/t, the PEA would yield an AT-NPV10% of US\$663M, and an after-tax IRR of 26%

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

## Banio Project Development Plan



## Banio Resource Estimate

Mineralogy	Tonnage (Mt)	Grade % KCl	Tonnage (Mt KCl)
<b>Indicated</b>			
Sylvinite	20	21.6	4
Carnallite	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
Carnallite	1,115	15.8	176
<b>Total (CT+SYL)</b>	<b>1,159</b>	<b>16.0</b>	<b>185</b>

## 2024 PEA Highlights

AT-NPV10%	US\$1.07B
AT- IRR	32.6%
Payback Period	1.4 years
Life of Mine (LOM)	25 years
Average Annual Production of gMOP	800,000 tonnes
Initial CAPEX	US\$480M
gMOP Price	US\$387/t
NaCl price (99% purity)	US\$100/t
Shipping Cost - Brazil	US\$22/t
OPEX	US\$61/t

Source: Company / FRC

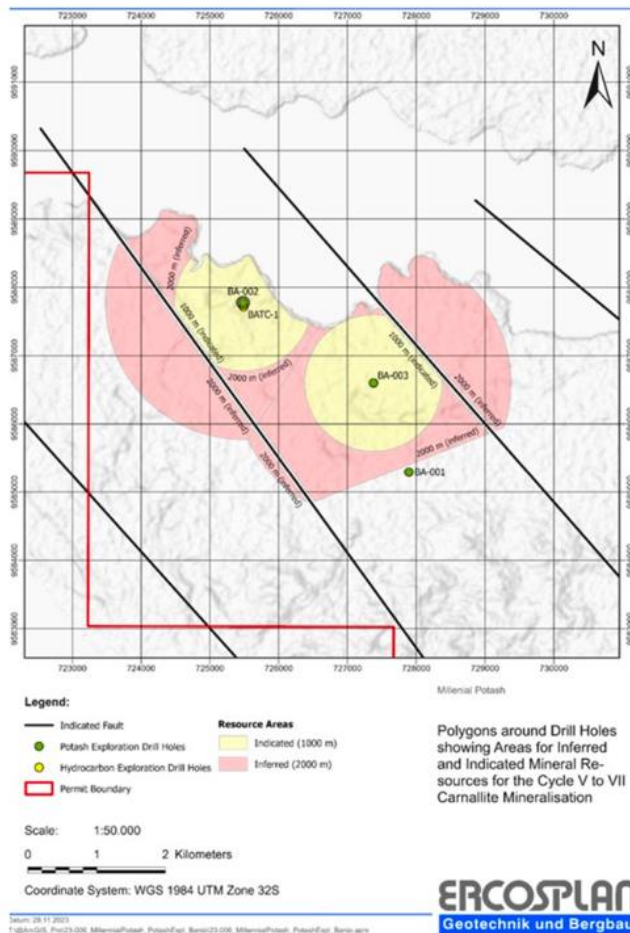
The resource envelope measures 5 km (length) x 3 km (width) x 0.2 km (thickness)

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)

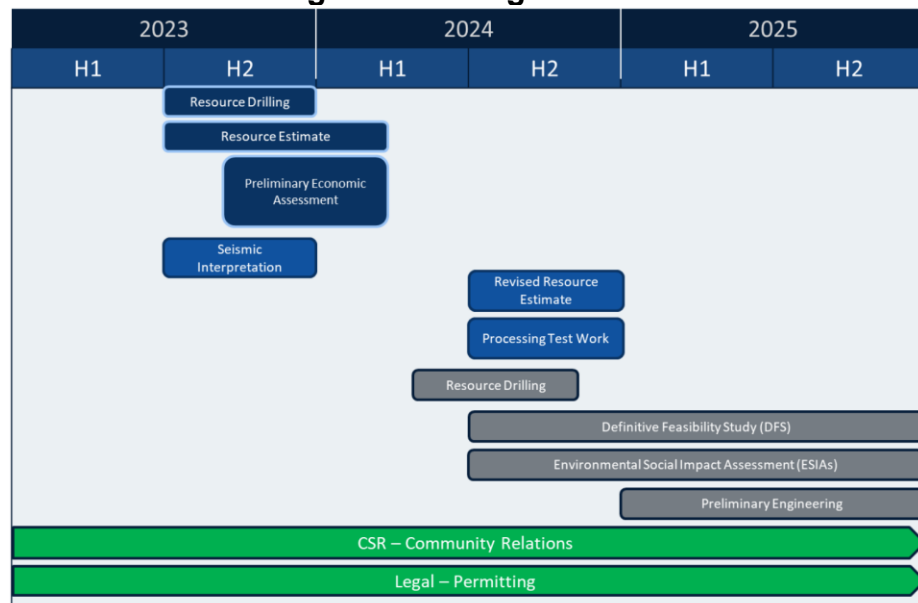
We believe there is potential for resource expansion, as the deposit remains open in multiple directions, and the current resource represents only 1.5% of the project area

Management aims to complete a resource update by Q1-2025, followed by engineering studies for a feasibility study

## Resource Envelope



## Management's Target Timelines



Source: Company

## Financials

Subsequent to Q3-FY2024, MLP raised \$3M through equity financings, and an additional \$1.7M through an ongoing \$3.8M financing

Upon completing the current financing, MLP will have \$5M in the treasury

(C \$) - YE: August 31		Q3-2024
Cash		\$598,025
Working Capital		\$527,403
Current Ratio		1.70
Monthly Burn Rate (G&A)		-\$127,924
Cash from Financing Activities		\$1,075,848
Cash Spent on Properties/Othes		-\$1,741,131

Options	#	Exercise Price	Amount
Total	5,766,000	\$0.41	\$2,385,600
In-the-Money	-	-	-

Warrants	#	Exercise Price	Value
Total	15,143,488	\$0.50	\$7,563,668
In-the-Money	-	-	-

Source: FRC / Company

## FRC Valuation

As a result of the recent equity financings, our DCF valuation dropped from \$1.52 to \$1.38/share

We are not making any other material changes to our models

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\$)	1.42
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>\$115,528,246</b>
Working Capital (assuming MLP completes the ongoing \$3.8M equity financing this year)	\$6,460,000
No. of Shares	88,386,000
<b>Fair Value per Share (C\$)</b>	<b>\$1.38</b>

Source: FRC



Our valuation is highly sensitive to key inputs

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Exchange Rate (C\$:US\$)	1.00	-\$0.07	\$0.43	\$0.98	\$2.94	\$4.94
	1.20	-\$0.08	\$0.52	\$1.17	\$3.52	\$5.92
	1.42	-\$0.10	\$0.61	\$1.38	\$4.16	\$7.01
	1.45	-\$0.10	\$0.63	\$1.41	\$4.25	\$7.15
	1.50	-\$0.10	\$0.65	\$1.46	\$4.40	\$7.40

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Operating Cost (US\$/t)	\$70.00	\$0.52	\$1.23	\$2.00	\$4.78	\$7.63
	\$80.00	\$0.21	\$0.92	\$1.69	\$4.47	\$7.32
	\$90.00	-\$0.10	\$0.61	\$1.38	\$4.16	\$7.01
	\$110.00	-\$0.72	-\$0.01	\$0.76	\$3.54	\$6.39
	\$130.00	-\$1.34	-\$0.63	\$0.14	\$2.92	\$5.77

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Discount Rate	7.5%	\$3.74	\$5.29	\$6.96	\$13.03	\$19.23
	10.0%	\$1.80	\$2.95	\$4.19	\$8.70	\$13.31
	14.6%	-\$0.10	\$0.61	\$1.38	\$4.16	\$7.01
	17.5%	-\$0.68	-\$0.14	\$0.45	\$2.60	\$4.78
	20.0%	-\$0.99	-\$0.55	-\$0.07	\$1.66	\$3.44

Source: FRC

**We are reiterating our BUY rating, and adjusting our fair value estimate from \$1.52 to \$1.38/share.** The Banio project continues to advance, with significant infrastructure development underway. We believe the project's robust economics, low-cost production profile, and strategic location make it a compelling opportunity. While current potash prices are lower than historical averages, potential supply disruptions, and increasing global demand, could drive prices higher.

## 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**

Maintaining our risk rating of 5 (Highly Speculative)

- FOREX and geopolitical
- **Access to capital and potential for share dilution**

**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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