

# Sirius Minerals PLC

08:00 02 Sep 2016

## Is it time to get serious about Sirius Minerals?

Sirius Minerals (LON:SXX) updated investors Thursday morning on the Stage 2 financing of its planned world-class polyhalite mine in North Yorkshire. But for investors and brokers alike, it seemed to raise more questions than it answered. Namely: What about Stage 1?

Six banks with experience in mining and infrastructure projects have been brought on board to help arrange around US\$700mln of the required Stage 2 financing.

The Export Development Canada (EDC), ING, JP Morgan, Lloyds Bank, Societe Generale, Corporate & Investment Banking and The Royal Bank of Scotland, have signed a non-binding, but mutually agreed term sheet to arrange the financing as Mandated Lead Arrangers (MLAs).

Brokers were quick to jump on the latest update from the newest sweetheart of the UK mining sector.

### The banks were engaged and keen to participate

Richard Knight of Liberum said the announcement was "just confirmation of what we already knew".

Although there was no news as yet on Stage 1 funding, Knight said the announcement gave investors confidence that the banks were engaged and keen to participate in Sirius's second stage of funding.

Shore Cap analyst Yuen Low was more enthusiastic, writing: "We are highly encouraged by the announcement of the MLAs in particular the involvement of the EDC, which we see as providing resounding validation of the quality of Sirius's polyhalite project."

### A cue for profit-taking?

As for the Stage 1 funding, Sirius assured investors that it was in "active discussions with a number of parties undertaking due diligence".

It did seem odd to observers - including Liberum - that little was said regarding the first half of funding in this morning's announcement.

And it appeared to provide the cue for a bout of profit-taking on an investment that has advanced 157% in the year to date.

Shore's Low said that the statement should reassure shareholders that procuring the requisite funds should not prove overly problematic.

As Sirius put it: "This positive step on the senior debt financing should provide Stage 1 investors with greater clarity and

**Price:** 5.49

**Market Cap:** £385.41 m

### 1 Year Share Price Graph



March 2019 September 2019 March 2020

### Share Information

**Code:** SXX

**Listing:** LSE

<b>52 week</b>	<b>High</b>	<b>Low</b>
	8389	2.1

**Sector:** Potash & fertilisers

**Website:** [www.siriusminerals.com](http://www.siriusminerals.com)

### Company Synopsis:

*Sirius Minerals is a UK based fertilizer development company focused on the development and operation of its polyhalite project in North Yorkshire.*

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confidence on the total financing of our world class fertiliser business".

### **Timely announcement**

In a note by Investec this morning, analysts noted the timeliness of the announcement as it coincided with news from a nearby rival.

"This appears to be very positive news for Sirius and follows closely on from the announcement by Israel Chemicals (TLV:ICL) that its adjacent Boulby Potash Mine will now focus on polyhalite: a major endorsement of the product," said the broker.

Israeli Chemicals had previously decried Sirius's project, claiming that polyhalite - a rival to its own potash fertiliser - was a low quality alternative.

It seems the Israelis have eaten their words. It's worth noting that the group is marketing the polyhalite under a different name.

Investec conceded that technical challenges remained for Sirius but was impressed with the progress.

### **Time to get Sirius**

But what does all this mean? Investec's analyst Jeremy Wrathall summed it up when he told Proactive: "It's time to get serious about Sirius."

Wrathall called Thursday's announcement a further landmark for the project. But, like most of us, the sheer scale of the project is still a little hard to fathom.

He agreed that such big numbers might spook investors, but with interest rates as they are: "It has never been a better time to finance big projects like this."

As for securing the initial stage of funding, Wrathall seemed to think the confirmed interest in Stage 2 was nonetheless encouraging, especially in the current environment.

"For once, big amounts of money like that may be possible, whereas before they possibly weren't."

### **Future takeover?**

As for the project itself, Wrathall admits he was at first sceptical, but following the progress he has since been convinced.

"I was very much on the fence before, but I'm encouraged with what I've seen so far."

The ripples are still settling in the potash market after Agrium (NYSE:AGU) and PotashCorp (NYSE:POT) announced merger talks, which has led some to speculate of a future takeover from one of the bigger players in the sector.

But Wrathall put that to bed for now: "The majors will only get interested once it's a proven concept," he said. "It's going to be a while, but there has to be proof of concept first."

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