

# Sirius Minerals PLC

11:40 13 Aug 2019

## Why Sirius Minerals must close its US\$500mln bond issue by the end of next month

Sirius Minerals PLC (LON:SXX) needs to get its US\$500mln bond offering away by the end of September, otherwise it risks running out of money and having to be wound up, official documents reveal.

The company, which is developing a huge fertiliser mine in North Yorkshire, launched the junk-rated bonds in mid-July, with bosses beginning a roadshow a few days later.

**READ: Sirius slams brakes on US\$500mln bond issue**

The bonds are vital to Sirius' future as their successful completion unlocks a US\$2.5bn revolving credit facility from JP Morgan, as well as a further US\$400mln of convertible bonds and a US\$50mln investment from Gina Rinehart's Hancock Prospecting.

But chief executive Chris Fraser and his team pulled the offering last week, citing volatile market conditions linked to escalating trade war tensions and a smaller than anticipated cut in US interest rates.

As one analyst in London said: "One could make a strong case that this was the worst week of the year to attempt to issue high-yield debt."

Unsurprisingly, the share price crashed as a result, and German investment bank Berenberg warned its clients that the risks are now "greater than the reward".

**Soon to run out of money**

Thanks to a US\$425mln fundraising from investors back in May, Sirius has enough cash in the bank to see it through to the end of September.

But without the remaining US\$3bn or so - all of which is contingent on the bond issue - the company has previously cautioned that it could run out of money and be forced into administration.

In a stock exchange announcement dated 30 April, Sirius said: "Unless the company was able to secure alternative funding (if any such alternative funding were available to the company, which it may not be) or a merger or acquisition transaction involving the company by the end of September 2019, the company would cease to operate as a going concern and the board would be required to place the company into administration or liquidation, which could result in shareholders losing part of or all of their investment in the company."

That's enough to send chills the spines down the backs of Sirius' 85,000 retail investors, some of whom have claimed to have ploughed their life savings into the business.

**October at the latest**

House broker Liberum is more optimistic, though, and believes Sirius bosses would have worked in a little breathing room in their forecasts, giving the company a bit more time to complete the deal.

**Price:** 9.155p

**Market Cap:** £64177500000M

### 1 Year Share Price Graph



August 2018 February 2019 August 2019

### Share Information

**Code:** SXX

**Listing:** LSE

**52 week** **High** **Low**  
8,389.00p 7.50p

**Sector:** General Mining - Potash and Phosphate [T3]

**Website:** 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.*

action@proactiveinvestors.com

"The convertible bond funds in Escrow and the RCF commitment letter are effectively valid until the end of October, which we would consider a hard stop for Stage 2 financing," said analysts in a recent note to clients.

Although there is no immediate rush for the money, Liberum believes CEO Fraser and his team will want to have a "firm view" on the financing by the middle of September.

If the bond issue is still hanging in the balance by then, then bosses may have to "make decisions to start slowing investment at the site", the analysts added.

#### Sirius frustrated but confident

For its part, Sirius remains relaxed about securing the necessary funds, and there has been no slowdown in investment at the Woodsmith mine, where work is continuing as expected.

"We understand the frustration with current market conditions, but we remain focused on delivering this project and becoming a world class fertiliser business," said a company spokesperson.

"The economic and social benefits of our nationally significant infrastructure project are vast, and all of our stakeholders and supporters know we have already overcome many seemingly insurmountable hurdles to reach this point in the development of Woodsmith mine."

#### Huge civil engineering project

Sirius needs the money to fund the development of the Woodsmith mine, one of the biggest civil engineering projects currently being undertaken in Europe.

The mine is 1.5km deep and requires a 37km-long underground conveyor belt to take the minerals from the site to a processing facility.

First production at Woodsmith is expected in 2021, with output increasing to 10mIn tonnes by 2024.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

#### No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.