

Sirius Minerals PLC

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Sirius Minerals financing falls apart amid Brexit bond turmoil, Boris Johnson's govt refuses funding support

Sirius Minerals PLC (LON:SXX) has revealed that its North Yorkshire mine development project has stalled amid pre-Brexit bond market uncertainty and Boris Johnson's government has denied financial support.

The company, in a statement on Tuesday, said it does not believe the proposed US\$500mln senior secured notes can be issued in the current market conditions.

Some US\$400mln raised in this spring's convertible bond issue, currently held in escrow, will now be returned to investors.

These funding steps were pre-cursors to a larger US\$2.5bn revolving credit facility, which will now be unravelled in the coming days.

Sirius shares lost more than half their value in early trading, plunging 53% to 4.73p.

Review of strategic options

As the project funds dwindle, pending the next injection, the company is now slowing the pace of construction to allow breathing room for a new strategic review - which could take six months to complete.

Sirius is sitting on £180mln of cash which whilst not enough to complete construction will be sufficient to allow management to 'explore all strategic options'.

"Due to the ongoing poor bond market conditions for an issuer like Sirius we have not been able to deliver our stage 2 financing plan," said Chris Fraser, Sirius chief executive.

"As a result, we have taken the decision to reduce the rate of development across the project in order to preserve funding to allow more time to develop alternatives and preserve the significant amount of inherent value in this world-class project."

Fraser added: "This is the most prudent decision to give the company the time necessary to restructure its plans to move the project forward."

"The process will incorporate feedback from prospective credit providers around the risks associated with construction and will include seeking a major strategic partner for the project."

BoJo says it's a no-go

Previous project funding plans had included government-backed financing, with the project evidently supported by Theresa May's government. Sirius however chose an alternative funding route at that time.

Price: 3.4816

Market Cap: £244.39 m

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: SXX

Listing: LSE

52 week High Low
8389 2.1

Sector: Potash & fertilisers

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.

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In response to the challenging bond markets, the company reassessed the possibility of government-backed borrowing to find that the new government less supportive.

Sirius told investors it asked the UK government for a commitment to enable the issue of up to US\$1bn of guaranteed bonds in the event that it was unable to issue unguaranteed bonds in the market.

The government has subsequently decided not to provide the support requested.

Sirius said it believes the government commitment would have allowed the project financing to be delivered as planned.

Local disappointment

With many local jobs dependent on the project, local MP Anna Turley laid the blame firmly at the feet of Johnson's government.

"That the government are refusing to step in and secure this enormous project is an absolute disgrace," she said.

"This government owes everyone involved an apology. It's not too late to change their minds and step in to save this huge project and the jobs and livelihoods that rely on it."

Statement on the announcement that @siriusminerals has been forced to cancel plans to issue its bond
<https://t.co/mEuOSAwwAlpic.twitter.com/q7Yjd9x7rv>

— Anna Turley MP (@annaturley) September 17, 2019
It was bad news for local investors too.

Russ Mould, investment director at AJ Bell, said: "This is terrible news for a very large number of retail investors who had put their faith in the company.

"Many of these shareholders live close to the mine and invested as a show of support in a project that had the potential to greatly improve the local economy."

He said that to survive Sirius may have to raise more money or sell a chunk of its business to a new strategic investor on unfavourable terms.

"It is disappointing to see the UK Government refuse to support the company when you consider that Sirius believes it can generate £100 billion for the UK economy over the next 50 years should the mine become operational," he added.

-- Adds comment and share price --

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