

# Agrimin Ltd

## (AMN \$0.83) Speculative Buy

EUROZ

Analyst	Date	Price Target
Jon Bishop	9 <sup>th</sup> November 2017	\$1.30/sh

### Native Title Agreement Signed

#### Investment case

The Native Title Agreement is a significant milestone for AMN, covering 97.5% of the Resource and paves the way for granting of a Mining Lease. The Lake Mackay brine SOP Project is an exciting development proposition and early pumping results appear encouraging. It offers superior scale and relative technical and planning maturity to the peer group. The SOP market is structurally attractive due to 50% of supply sourced from high cost secondary production. This should enable developers of low cost primary production, like Mackay, to enter the market. With the scoping study and Native Title Agreement achieved, environmental studies underway and funding to progress development studies in place, AMN is well placed to execute. Pending positive study results, we believe there is an excellent chance AMN will attract a partner to assist in development of Mackay, a key medium term value crystallising event. We retain our Speculative Buy with an increased \$1.30/sh Price Target.

#### Key points

- AMN has announced that it has signed a Native Title Agreement with the Kiwirrkurra people for an area that almost covers the entire Lake Mackay SOP Project area;
- The agreement represents satisfaction of a key condition ahead of granting of a Mining Lease;
- The agreement comprises a range of confidential financial and non-financial terms as well as the issue of 1m ordinary shares to Tjamu Tjamu (Aboriginal Corporation acting on behalf of Kiwirrkurra), escrowed for three years, as part of the terms;
- The agreement excludes only 2.5% of the Lake Mackay SOP Project Mineral Resource;
- Importantly, the agreement enables plant and infrastructure location per current scoping study;
- This is a key departure from peer SO4 that has recently received notification of a Native Title Claim over nearly a third of the proposed project area - already significantly smaller than that of AMN (440km<sup>2</sup> vs 3,500km<sup>2</sup>) - which will have a negative bearing on infrastructure and plant location;
- We expect further pump test results in the near term leading into the PFS due CY end;
- Our Valuation and Price Target increases to \$1.30/sh (prev. \$1.00/sh).

#### Analysis

Securing Native Title is a significant milestone for AMN:

- 97.5% of the Resource is covered by the Agreement
- It facilitates the next step in obtaining grant for a Mining Lease
- Ensures sufficient footprint to establish gathering and process plant infrastructure per the current scoping study.

Consequently, AMN is able to continue its PFS (due CY) as planned.

The key significance of the agreement that is perhaps less tangible, is that it should engender political and social support that will better attract transport infrastructure spend (NAIF for example).

Agrimin Ltd	Year End 30 June	
Share Price	0.83	A\$/sh
Price Target	1.30	A\$/sh
Valuation	1.30	A\$/sh
	(npv 10%)	

Shares on issue	156m, undiluted
Shares on issue	157 m, diluted
Market Capitalisation	130 A\$m
Enterprise Value	118 A\$m
Debt0	A\$m
Cash11.7	A\$m
Largest Shareholder	Hillboi Nominees Pty Ltd 13.4%

#### Directors & Management

B Sampson	NE Chair
M Savich	CEO/MD
A Pismiris	NE
T Lyons	GM

#### Shareholders

Hillboi Nominees Pty Ltd	13.3%
M Savich	6.2%
Walloon Securities Pty Ltd	6.2%

#### Company Details

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#### Share Price Chart



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## Agrimin Ltd

**(AMN \$0.83) Speculative Buy**

Transport is a key plank in substantiating a viable economic development at Lake Mackay.

The support of the local indigenous people should result in the local and Federal Governments taking a more favourable position on building and/or enhancing transport infrastructure to the Lake Mackay site: this could both significantly optimise transportation costs (more direct route on higher quality road) and lower project capital (transfer capex to the public purse).

AMN has been methodical in establishing key project milestones and systematic in managing risk and thereby de-risking the project to ensure that the Lake Mackay SOP Project can be fairly economically assessed on its inherent technical merits.

We have lowered our Risk Factor on our Lake Mackay SOP desktop DCF to 50% to derive an increased \$1.30/sh Valuation:

Agrimin Ltd - Euroz Valuation		
NPV Risk Adjustment factor		50%
	<b>A\$m</b>	<b>A\$/sh</b>
Lake Mackay NPV @ 50%	192.5	1.22
Debt	0.0	0.00
Exploration	0.0	0.00
Cash	11.4	0.07
<b>Total</b>	<b>203.9</b>	<b>1.30</b>
<b>Price Target</b>		<b>1.30</b>

We bring our Price Target in-line with Valuation.

Speculative Buy maintained.

A key milestone in terms project economics will be articulated with the PFS due CY'17 end.

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