

20 December 2017

Agrimin Limited (AMN)

Fieldwork Enhances Credibility

Agrimin is 4 months into a 12 month fieldwork campaign with positive results continuing to underpin the assumptions made in the scoping study. Pumping trials have shown trench productivity to average 0.85m³ of brine, per day, per metre of trench (m³/day/m) versus the scoping study at 0.75m³/day/m this strengthens our view that the scoping study was conservative, and highlights upside to our base case. These results add to the momentum Agrimin is experiencing following the recent signing of a Native Title Agreement with the Kiwirrkurra People. It is our view that these developments add further credibility to this technically robust project and will aid financing discussions. Agrimin is BUY rated with a target price of A\$1.26/sh.

Pumping trials substantiate Scoping Study

- 14 trenches have been excavated and 4 long term trench pumping tests have been completed. Pumping rates range from 0.3 to 1.4m³/day/m and average 0.85m³/day/m, slightly above scoping study assumptions (Figure 1).
- The 4 completed pumping tests represent the most and least prospective trenches, in line with best practise, to provide the hydrogeological teams the most reflective dataset.
- Trenching success demonstrates viability of this capex and opex light brine extraction method which is less than half the capex and nearly a tenth the opex versus well bore extraction.

On-lake, unlined, pond construction

- Agrimin's excavator is currently constructing the first on-lake, unlined, pilot evaporation pond (Figure 2). The pond will be constructed to Saskatchewan Research Council specifications, using a cut-to-fill construction method, and compacted at regular intervals which is representative of the method to be employed for the full scale project. Unlined ponds are nearly a tenth the capex of lined ponds.

Pre-Feasibility Study

- The release of the PFS is expected to slip to Q2'CY18 due to an expanded program designed to materially increase production rates and lower operating costs. Regular updates of key milestones are now expected including; 1) transport study; 2) process design/flow sheet and; 3) hydro model for trench/pond layout design.

Price Target (1x P/NPV) of A\$1.26/sh

BUY

Share Price: A\$0.85

Target Price: A\$1.26

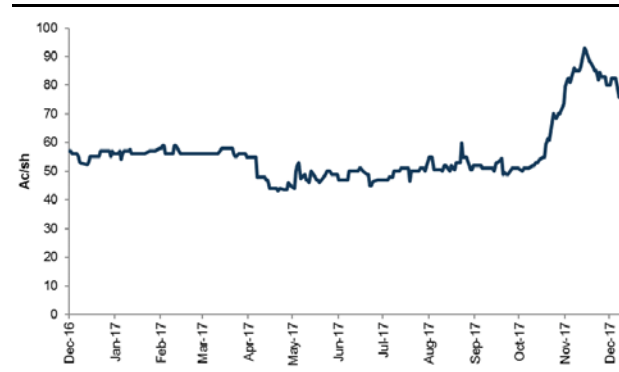
Company Data

Shares – ordinary (M)	156
Market capitalisation (\$M)	133
12 month low/high (\$)	0.43 / 0.95
Average monthly turnover (\$M)	0.9
Index	Materials

Financial Summary (fully diluted/normalised)

Year end June	2020F	2021F	2022F	2023F	2024F
Revenue (\$M)	0	109	146	254	291
Costs (\$M)	1	101	135	140	142
EBITDA (\$M)	-1	8	11	114	149
NPAT (\$M)	-3	-19	-21	43	71
EPS (¢ps)	-2.2	-12.2	-13.6	12.3	20.3
PER (x)	na	na	na	7	4
Cashflow (\$M)	-3	-4	-3	73	103
CFPS (¢ps)	-2	-3	-2	21	29
PCFPS (x)	-39	-31	-44	4	3
Enterprise Value (\$M)	298	355	366	302	208
EV / EBITDA (x)	-355	44	33	3	1
Dividends (¢ps)	0	0	0	0	0
Yield (%)	0	0	0	0	0

AMN – performance over one year



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.

Matthew Schembri
+61 2 9239 9630



Analysis

Agrimin Limited (AMN)																																																																																																																																																																																																																																																																																																																					
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Net Interest	AS\$M	0	2	(4)	(20)	(23)	(23)	(16)	(6)	Lake Mackay	AS\$M	0	0	0	109	146	254	291	291																																																																																																																																																																																																																																																																																																		
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Net Capex	AS\$M	0	(139)	(185)	(52)	(8)	(8)	(8)	(8)	Site Processing	AS\$M	0	0	0	35	47	47	47	47																																																																																																																																																																																																																																																																																																		
Exploration	AS\$M	0	0	0	0	0	0	0	0	G&A	AS\$M	0	0	0	7	9	9	9	9																																																																																																																																																																																																																																																																																																		
Inv Cash Flow	AS\$M	0	(139)	(185)	(52)	(8)	(8)	(8)	(8)	Transport	AS\$M	0	0	0	53	71	71	71	71																																																																																																																																																																																																																																																																																																		
Free cash flow	AS\$M	(3)	(138)	(188)	(57)	(11)	64	94	101	C1 Cash Cost	AS\$M	0	0	0	95	127	127	127	127																																																																																																																																																																																																																																																																																																		
Net Borrowings	AS\$M	0	0	187	47	0	(50)	(100)	(84)	Royalties	AS\$M	0	0	0	5	7	13	15	15																																																																																																																																																																																																																																																																																																		
Dividends	AS\$M	0	0	0	0	0	0	0	0	Corporate	AS\$M	0	0	0	2	2	2	2	2																																																																																																																																																																																																																																																																																																		
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Fin Cash Flow	AS\$M	0	156	187	47	0	(50)	(100)	(84)	Project	AS\$M	0.0	138.8	185.0	46.3	0.0	0.0	0.0	0.0																																																																																																																																																																																																																																																																																																		
Net Cash Flow	AS\$M	(3)	18	(1)	(10)	(11)	14	(6)	17	SIBC	AS\$M	0.0	0.0	0.0	6.2	8.3	8.3	8.3	8.3																																																																																																																																																																																																																																																																																																		
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Cash	AS\$M	5	23	22	12	0	15	9	26	Exchange Rate	AS/US\$	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70																																																																																																																																																																																																																																																																																																		
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Cur Assets	AS\$M	10	28	27	17	6	20	14	31	Interest Rec	%	2%	2%	2%	2%	2%	2%	2%	2%																																																																																																																																																																																																																																																																																																		
Fixed Assets	AS\$M	0	139	324	376	385	393	401	409	Diesel Price	AS/L	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2																																																																																																																																																																																																																																																																																																		
Exploration	AS\$M	5	5	5	5	5	5	5	5	Gas Price	\$/GJ	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0																																																																																																																																																																																																																																																																																																		
Other	AS\$M	0	0	0	0	0	0	0	0	SOP Price	US\$/t	550	550	550	550	550	550	550	550																																																																																																																																																																																																																																																																																																		
Non Cur Assets	AS\$M	5	144	329	382	390	398	406	415	SOP Price	AS/t	786	786	786	786	786	786	786	786																																																																																																																																																																																																																																																																																																		
Total Assets	AS\$M	16	172	356	398	395	418	421	446	CASH FLOW FORECASTS INCL DEBT & EQUITY																																																																																																																																																																																																																																																																																																											
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Payables	AS\$M	1	1	1	1	1	1	1	1	<table border="0"> <tr> <td>NPV (+1Yr)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td>Lake Mackay</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>334 \$ 0.95</td> </tr> <tr> <td>Corporate costs</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>-6 \$ (0.02)</td> </tr> <tr> <td>Net Cash (Debt)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>114 \$ 0.33</td> </tr> <tr> <td>Total</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>443 \$ 1.26</td> </tr> </table>										NPV (+1Yr)																				Lake Mackay																			334 \$ 0.95	Corporate costs																			-6 \$ (0.02)	Net Cash (Debt)																			114 \$ 0.33	Total																			443 \$ 1.26																																																																																																																																																																																														
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Payout Ratio	%	0%	0%	0%	0%	0%	0%	0%	0%																																																																																																																																																																																																																																																																																																												
Gearing ND/E	%	-34%	-13%	99%	136%	145%	73%	22%	-6%																																																																																																																																																																																																																																																																																																												
Interest Cover	x	22.3	0.7	na	na	na	3.7	7.6	21.2																																																																																																																																																																																																																																																																																																												
EBITDA Margin	%	na	na	na	7.4	7.6	45.0	51.2	51.2																																																																																																																																																																																																																																																																																																												
EBIT Margin	%	na	na	na	(6.1)	(5.0)	33.4	40.4	41.2																																																																																																																																																																																																																																																																																																												
Return On Assets	%	(31.6)	(0.7)	(0.2)	(1.7)	(1.8)	20.3	27.9	26.8																																																																																																																																																																																																																																																																																																												
Eff Tax rate	%	30%	30%	30%	30%	30%	30%	30%	30%																																																																																																																																																																																																																																																																																																												

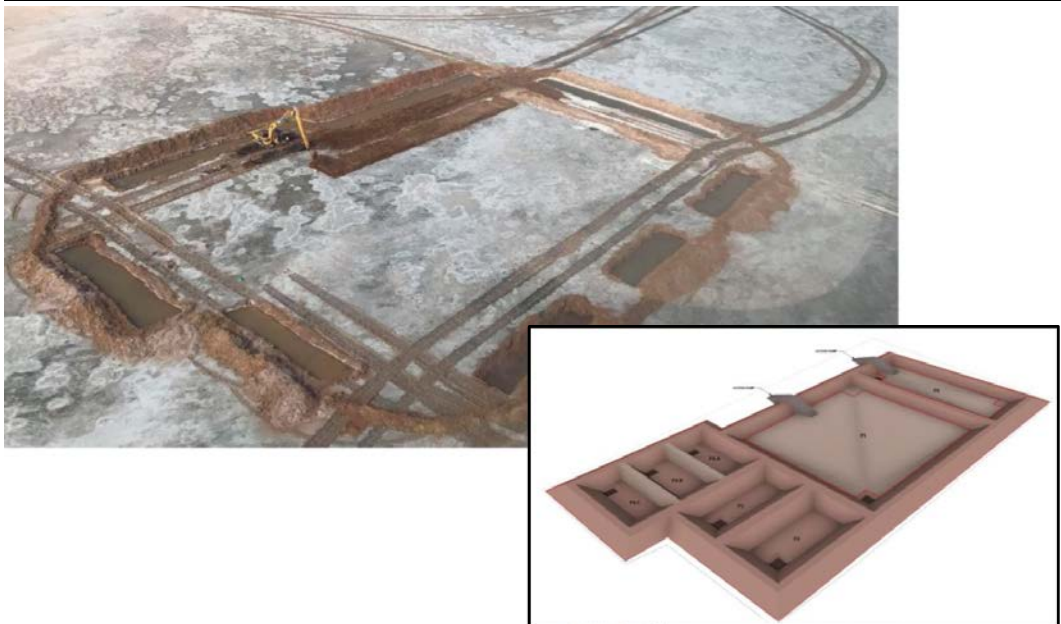
Source: Petra Capital

Figure 1: Trench Construction



Source: Company Reports

Figure 2: Evaporation Pond Construction



Source: Company Reports



Petra Capital
Level 17, 14 Martin Place, Sydney NSW 2000

ABN 95 110 952 782
ACN 110 952 782
AFSL 317 944

Director:	George Marias	+61 (0)2 9239 9601	gmarias@petracapital.com.au
Research (Resources):	Brett McKay	+61 (0)2 9239 9605	bmckay@petracapital.com.au
Research (Resources):	Matthew Schembri	+61 (0)2 9239 9630	mschembri@petracapital.com.au
Research (Industrials):	Killian Murphy	+61 (0)2 9239 9607	kmurphy@petracapital.com.au
Research (Industrials):	Daniel Porter	+61 (0)2 9239 9625	dporter@petracapital.com.au
Research (Industrials):	James Lennon	+61 (0)2 9239 9618	jlennon@petracapital.com.au
Research (Property):	Jonathan Kriska	+61 (0)2 9239 9633	jkriska@petracapital.com.au
Sales:	Frank Barila	+61 (0)2 9239 9603	fbarila@petracapital.com.au
Sales:	Richard Macphillamy	+61 (0)2 9239 9604	rmacphillamy@petracapital.com.au
Sales:	Vincent Pisani	+61 (0)2 9239 9617	vpisani@petracapital.com.au
Sales:	Colin Redmond	+61 (0)2 9239 9613	credmond@petracapital.com.au
Sales:	Iain Gow	+61 (0)2 9239 9608	igow@petracapital.com.au
Sales:	Peter Veldhuizen	+61 (0)2 9239 9609	pveldhuizen@petracapital.com.au
Sales:	Vince Barila	+61 (0)2 9239 9627	vbarila@petracapital.com.au
Corporate (ECM):	Conrad Anderson	+61 (0)2 9239 9610	canderson@petracapital.com.au
Corporate (ECM):	David Wallis	+61 (0)2 9239 9622	dwallis@petracapital.com.au
Administration:	Krystle Garven	+61 (0)2 9239 9635	kgarven@petracapital.com.au
Administration:	Samantha Tingley	+61 (0)2 9239 9636	stingley@petracapital.com.au
Administration:	Silvia Fratta Pasini	+61 (0)2 9239 9621	spasini@petracapital.com.au
Administration:	Larissa Falvo	+61 (0)2 9239 9611	lfalvo@petracapital.com.au
Legal & Compliance:	Stephen Newton	+61 (0)2 9239 9612	snewton@petracapital.com.au
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

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