

# Quick Comment

## Agrimin Ltd (AMN \$0.54) Speculative Buy

Analyst	Date	Price Target
Jon Bishop	18 <sup>th</sup> May 2021	\$0.80/sh

### 150ktpa Offtake Agreed with Sinofert

#### Key Points

- AMN has signed a Binding Offtake Agreement with Sinochem Fertilizer Macao Ltd, a subsidiary of Sinofert, China's largest importer of SOP;
- The agreement is for 150ktpa of SOP from the Lake Mackay Project, representing around a third of the planned nameplate capacity;
- The Agreement covers a 10yr term subject to commercial production being achieved by Jun 30, 2025;
- Pricing is negotiated quarterly referencing the Chinese SOP price index, quoted by an independent market source. We note for reference, Argus Media currently determine FOB pricing ex-China at cUS\$495/T;
- This is a material agreement simply as it is a direct offtake to an end user (as opposed to an intermediary marketing/distribution agency);
- This should therefore translate to greater price certainty (in terms sales price realised by AMN);
- And thus improve bankability for the Project;
- We retain our Speculative Buy recommendation and \$0.80/sh Price Target which represents a risk adj valuation of the Lake Mackay SOP Project applying the DFS parameters.

#### Investment Thesis

This is a material offtake agreement not only in terms of volume but because it is with a direct consumer. This should therefore translate to greater pricing certainty and thus bankability for the Lake Mackay SOP Project. The comprehensive Aug 2020 Definitive Feasibility Study, speaks to the Project's potential global significance. Headline figures relate to operating life of 40yrs based on a maiden Reserve of 20Mt SOP. In addition, the DFS highlights projected total cash costs that render the operation to be the lowest cost of all the WA brine SOP projects. Subject to final permitting, approvals and financing, AMN is targeting first SOP production in 2024. Our numbers are presented on a 50% risked and unfinanced basis to demonstrate potential project value from a third-party perspective. What remains evident is that economies of scale will be critical to the ultimate success of the brine lake projects and whilst the SOP market matures and deepens. It remains this simple aspect that constitutes the appeal of the Lake Mackay Project from our perspective. Our Speculative Buy recommendation and \$0.80/sh Price Target remain.

#### Agrimin Ltd (AMN)

Share Price	0.54	A\$/sh	Enterprise Value	107	A\$m
Price Target	0.80	A\$/sh	Debt	nil	A\$m
Valuation	0.79	A\$/sh	Cash	7	A\$m
Shares on issue	212	m(dil)	Largest Shareholder Aus Super	14%	
Market Capitalisation	114	A\$m			

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## Contact Details

**Euroz Hartleys Limited** +61 8 9488 1400

### Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

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