

14<sup>th</sup> January 2020

## Sector: Mining

### Commodities:

Potash (MOP + SOP) in Morocco

### Market data

Ticker	EML
Price (p/sh)	3.95
12m High (p/sh)	6.2
12m Low (p/sh)	2.6
Shares (m)	686.1
Mkt Cap (£m)	27.1
Markets	LSE



Source: LSE

### Description

Emmerson plc is a resource development company focused on the development of the Khemisset potash project in Morocco. A scoping study was completed in November 2018 and feasibility is due for completion in H1 2020.

[www.emmersonplc.com](http://www.emmersonplc.com)

### Board & key management

Non-Exec Chairman	Mark Connelly
Exec Director/CEO	Hayden Locke
Exec Director	Robert Wrixon
NED	Ed McDermott

## Emmerson plc

### Site selection confirms minimal road cost

As part of the ongoing feasibility study for the company's 100%-owned Khemisset potash project in Morocco, EML reports that the selection of preferred project site has been finalised. This has allowed EML to complete design and cost components to connect the project to the road network. The required road construction to satisfy the entire logistics to port solution is minimal and rail connections are not required. Feasibility remains on track for completion H1 2020.

- ▶ **What's happened.** Two things of note; firstly, EML has settled on the final preferred site location for the Khemisset, i.e. the future location of the plant and processing infrastructure, and the location of the portal for the underground decline. Secondly, with site selection made, EML has now been able to accurately budget the cost of connecting the project to the existing highway infrastructure.
- ▶ **Infrastructure advantage is clear.** The project site is located proximal to the A2 toll road which connects to the coast and the Port of Casablanca – EML's selected port option which as EML reported late last year (4<sup>th</sup> Nov) reduces the pre-production capital cost for port infrastructure to zero, from US\$7.5m. We have visited the selected site location and have previously commented on the high quality of the A2 and surrounding road infrastructure. The A2 road is in good condition and does not require any upgrading work meaning the only road capital required is to connect the project to the highway and internal site roads. Both the road and the Port of Casablanca have significant spare capacity. As EML is pursuing a road and truck logistics plan, there is no need to construct any rail infrastructure.
- ▶ **Not a long road.** The selected Khemisset site requires the construction of only 3.2km of paved roads and 9.6km of internal gravel roads. Given the scale and long-life potential of Khemisset, we view this as a very small infrastructure build. Design and costing has been completed by Golder Associates, resulting in a budgeted cost for the construction of access roads of approximately US\$2m including a 15% contingency. This is a slight increase over the \$1.3m in the Scoping Study (Nov 2018) but note that it includes additional cost owing to the decision to construct a full highway connection to benefit the local community. Nevertheless, we still view this as an extremely low-cost pre-production capital item for EML. Reference Kore Potash's (AIM: KP2) Kola project where the DFS (Jan 2019) indicates US\$63m in pre-production capex for roads alone, plus US\$179m for marine facilities and US\$309m for general infrastructure.
- ▶ **Feasibility on track.** The site selection is the second completed workstream from the ongoing feasibility study which EML reiterates is due to release in H1 2020.

Another small glimpse of some of the ongoing workflow as part of the Khemisset feasibility study. Foremost, we see the RNS as another reinforcement of Khemisset's logistics and infrastructure advantage. These are the major building blocks that support the project's bottom quartile capital intensity and we are encouraged by EML's ongoing quest for further cost savings, chipping away on all levels. The low capital cost and ease of logistics gives Khemisset a virtually unrivalled advantage in the MOP sector globally. This we think, will smooth the path in securing financing, and of course the low level of infrastructure build reduces the construction timeline for the project.

### Analyst

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Figure 2 - A2 highway proximal to EML's Khemisset project



Figure 3 - Proposed connection to the A2 highway



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