

24th February 2020

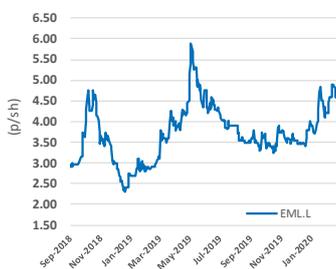
Sector: Mining

Commodities:

Potash (MOP + SOP) in Morocco

Market data

Ticker	EML
Price (p/sh)	4.53
12m High (p/sh)	6.0
12m Low (p/sh)	3.0
Shares (m)	686.1
Mkt Cap (£m)	31.8
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 early Q2 2020.

www.emmersonplc.com

Board & key management

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

Analyst

phil.swinfen@shardcapital.com
 020 7186 9008
 Phil Swinfen

Emmerson plc

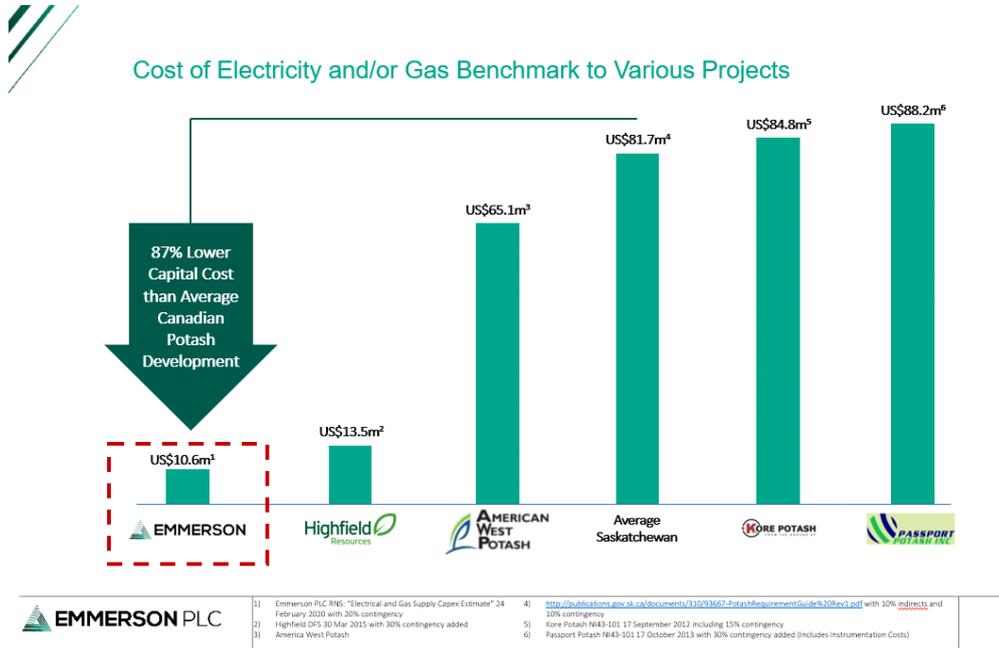
Upcoming feasibility study ahead of schedule

EML has revealed a further nugget of positive progress that will feed into the upcoming feasibility study on the company’s 100%-owned Khemisset potash project in Morocco. The full cost estimate for the capex required to execute power and gas supply to the project has been completed. The total budgeted cost has come in at c.\$10m, a snip compared to peer potash projects and further reinforcement of Khemisset’s anomalously low overall infrastructure cost. The big news is that the feasibility study is ahead of schedule – now expected in early Q2 2020, well ahead of the originally guided end of H1 2020.

- ▶ **Cheap power solution.** The total budgeted cost to connect Khemisset to the electrical grid and construct on onsite substation and gas storage is \$10.6m (inc.10% contingency). EML estimates that this represents a capex saving of \$71m or 87% compared to a similar work package for an average Canadian potash mine development. The technical power solution and costings have been confirmed as feasible by the Moroccan National Grid operator.
- ▶ **Electricity solution.** Khemisset’s location is c.15km from the planned connection point to one of two existing Very High Voltage (225KV) powerlines (built to very high standards) on the National Grid. A single 225KV powerline with two overhead lines has been selected as the optimal solution. Morocco’s National Grid operator, “ONEE” indicates that it expects only 8hrs of planned outages per year for preventative maintenance – no Eskom-style load-shedding here!
- ▶ **Gas solution.** EML requires gas for Khemisset, either LPG or LNG, mainly in drying step within the processing plant. EML has continued discussions with Morocco’s leading LPG storage and distribution company. The aim remains a long-term supply partnership. This would be a zero-capex option (for LPG supply) for Emmerson as the supply-partner would design, supply, install and maintain the onsite gas facilities. EML believes that it will potentially benefit from highly competitive gas prices in the Moroccan context.
- ▶ **Green solution.** EML believes it will also benefit from the Moroccan Government’s renewable energy legislation, a key government initiative to promote renewable energy development in the country. The government has a target of generating over 50% of its energy needs from renewable sources by 2030. EML has an MOU in place with Voltalia (RNS 7th Oct ’19) and in addition to reducing the mine’s carbon footprint, EML believes that there may be reduced tariffs compared to the Scoping Study (Nov ’18) assumptions.
- ▶ **Feasibility running ahead.** The major upcoming catalyst that the market is now waiting for; the Khemisset feasibility study, is running ahead of schedule and EML now estimates delivery in early Q2 2020 (likely April), instead of the previously planned end of H1 2020.

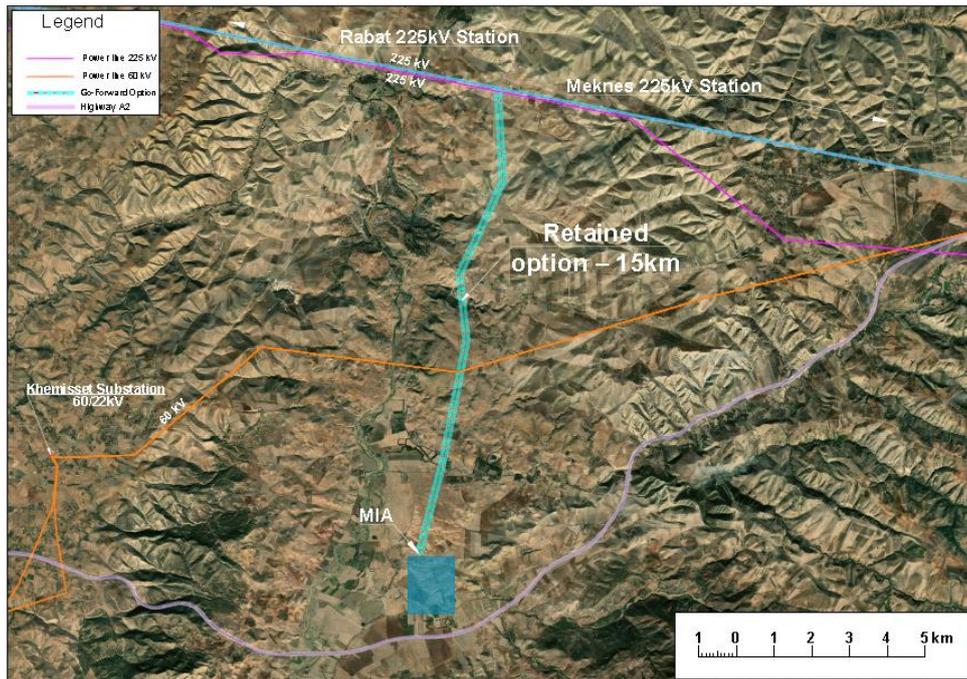
EML appears to be down to the short-strokes with the upcoming feasibility study. Some substantial pieces of optimisation newsflow have already been released but we await the full feasibility study with interest. Through multiple work streams and initiatives, the de-risking work since the November 2018 Scoping Study is clear. The feasibility study will consolidate this and hopefully maintain or improve the already robust economics. Either way, with financing discussions already underway, and other bolt-on value drivers such as SOP production on the cards, we continue to view Khemisset as a project that is being prepared for mine-build. Key for us, is that we don’t see Khemisset as a stranded project with limited options (many projects enter inescapable stasis post feasibility), the feasibility is likely to add more impetus to EML’s development push. With low capital intensity, excellent access to infrastructure and a marked lack of red flags for project development, potential strategic partners will need to be agile to keep up with the pace of development.

Figure 1 - Capital costs to connect to electricity and gas for selected potash projects



Source: Emmerson plc

Figure 2 - Selected option for project connection to the national grid



Source: Emmerson plc

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