

Salt Lake Potash Ltd

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Salt Lake Potash has a clear pathway to production at Lake Way: Taylor Collison

Salt Lake Potash Ltd (ASX:SO4) is focused on the rapid development of its Lake Way Project in WA, intended to be the first salt-lake brine sulphate of potash (SOP) production operation in Australia.

The company recently completed a \$7.4 million share placement to international fund manager Fidelity International and has mandated Taurus Funds Management to provide a US\$150 million project financing facility.

Taylor Collison has assigned a price target of \$1.12 per share for SO4 with a Speculative Buy recommendation.

Following is an extract from Taylor Collison's report:

Lake Way Project

Salt Lake Potash is the owner of nine large salt lakes in the Northern Goldfields Region of Western Australia. Salt Lake Potash's immediate focus is on the rapid development of the Lake Way Project. Lake Way's location and logistical advantages make it the ideal location for SOP operation. Salt Lake Potash's long term plan is to develop an integrated SOP operation, producing from a number (or all) of the lakes. Salt Lake Potash will progressively explore each of the lakes with a view to estimating resources for each Lake, and determining the development potential.

Investment Highlights

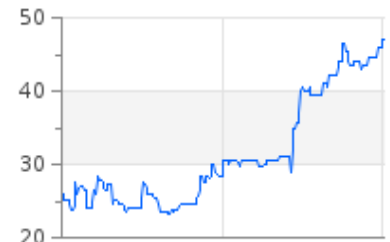
- Scoping Study shows positive economics to support a long mine life of 20yrs with an estimated project post-tax NPV (8% discount rate) of A\$381m
- Lake Way Project to produce an estimated 200ktpa of premium grade Sulphate of Potash (SOP)
- Low operating cost (based on comparisons with global SOP producers) with an FOB operating cost estimate of A\$264/t
- Low development capital requirements of approximately A\$237m, which is supported by the close proximity to infrastructure
- Steady-state EBITDA of ~A\$90m per annum. The cash flow and low capital cost should lead to a payback period of ~3.2yrs
- Project financing of US\$150m (~A\$214m) to be provided by Taurus Funds Management for the Lake Way Project, which provides approximately 90% of the total capital required (as stated in the Scoping Study)
- The debt is a staged facility. The funding is intended to be split as follows:

1. Stage 1 - US\$30m

Price: £0.47

Market Cap: £117.75 m

1 Year Share Price Graph



September 2018 March 2019 September 2019

Share Information

Code: SO4

Listing: AIM

52 week High Low
48 22

Sector: General mining & base metals

Website: www.saltlakepotash.com.au

Company Synopsis:

Salt Lake Potash is developing the Goldfields Salt Lakes Project, which we plan to be the most sustainable, most rewarding fertiliser project in the world. An initial 50,000tpa Demonstration Plant will provide the template for a very large scale, very long life and very economic project across a number of salt lakes, delivering premium, organic nutrients to the world's farmers.

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2. Project Development - US\$150m

- Stage 1 Facility will be utilised for early construction works and for the completion of the Bankable Feasibility Study, which is due in the September quarter
- Salt Lake Potash (SO4) now has a clear pathway to production and we maintain our Speculative Buy recommendation.

Valuation

The price target of \$1.12/share (on a fully-diluted basis) is based on the current NPV (using the below metrics) on the proposed Lake Way operation and applying a 25% discount execution risk (which we feel is reasonable considering the project is essentially 90% debt financed with cash in hand and first production is expected in Q4 2020). At this stage we have not added any further valuation on the other lakes that are held by SO4 until it becomes clear on what development capital will be required and the timing of any further production coming online (we suspect this will be at least 5yrs away).

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