HIGHFIELD RESOURCES (HFR)

Time to revisit this compelling Spanish potash developer

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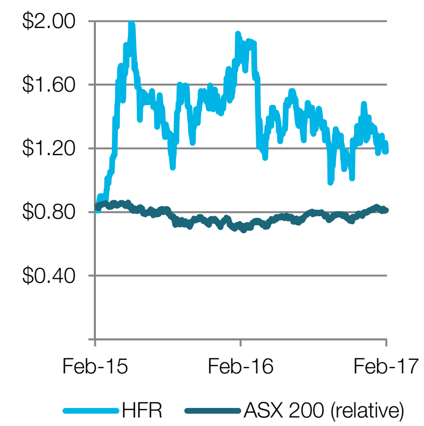
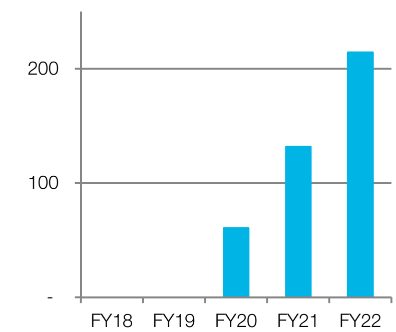
We say	Price	Target	Strategic Target
BUY	1.20	3.10	6.50

With the permitting authority in Madrid responding to Highfield's Environmental & Social Impact Assessment in December, we believe now is the time to revisit this compelling potash developer. While there can be no guarantees on the timing of permits, we believe it would not be unreasonable to see the company receive its long-awaited Environmental Permit in Q2 CY17. We continue to believe Muga has potential to become one of the highest margin potash mines globally. Maintain Buy.

SHARE PRICE CHART



MUGA EBITDA @ €250/T POTASH (A$M)



Potash producers typically trade on 8-10x EV/EBITDA

COMPANY DATA & RATIOS

Enterprise value	$370m
Diluted market cap*	$447m
Diluted shares*	373m
Free float	51%
12 month price range	$0.97-1.90
GICS sector	Materials

EMR Capital holds ~26% (FD)
Board & Management hold ~23% (FD)
*Diluted for ~51m options

IMPLIED RETURN

Implied all-in return	~158%

~47% MARGINS AT CURRENT PRICES

While many potash mines are losing money, at current prices we estimate Muga's margins would be ~47%. This is based on a granular European potash price of ~€250/t (see p5) and an estimated all-in sustaining cost to customer of just ~€132/t. Highfield's Muga project has a number of material competitive advantages compared to peers on both capex and opex which we review on p2.

PERMITTING UPDATE

The permitting authority in Madrid wrote to HFR on 16 Dec asking for a response to queries raised by a number of referral authorities. HFR has 3 months to respond and plans to meet and consult with each of the 7 referral authorities to ensure all queries are adequately addressed. HFR has indicated that the latest letter from the permitting authority did not raise any new items or areas of concern for the company.

VALUATION

We increase our price target to $3.10 (from $3.00) primarily based on a 20% discount to NPV of Muga at spot granular potash prices of ~€250/t. While the company's primary focus is Muga, we see considerable value in Highfield's other projects. While we believe these other project add considerable corporate appeal, for now we apply heavy discounts of 80-90%. At end December HFR had A$78m in cash and no debt.

MUGA: THE BEST POTASH PROJECT GLOBALLY?

We continue to believe Highfield's flagship Muga project is probably the best undeveloped greenfields potash project globally, based on its projected margins, return on capital and well developed, relatively safe jurisdiction. Muga's competitive advantage is driven by:

- Lower Capex
  - **Shallow mineralisation**: From ~300m deep vs. many peers from depths of 1,000m+, enabling access via decline rather than a shaft
  - **No acquifers**: No need to freeze ground like peers – a very capital intensive exercise
  - **Existing Infrastructure**: No need to build roads, power station, port etc
- Lower Opex
  - **Proximity to customer**: Muga has a *major* logistics advantage over most peers. For many potash producers the cost of transport from mine gate to customer can be up to 30% of costs. HFR plans to truck 100% of its product for Phase 1 (540ktpa) directly to customers in Europe.
  - **Shallow mineralisation**: From ~300m deep vs. many peers from depths of 1,000m+
  - **Attractive fiscal regime**: No royalties in Spain, 25% income tax and allowance for accelerated depreciation, which is likely to mean modest cash tax in the early years of the project, enhancing project cash flow and return on capital
  - **Conventional mining**: Conventional room and pillar mining via decline and processing via conventional flotation. i.e. A low-risk, tried and tested approach.

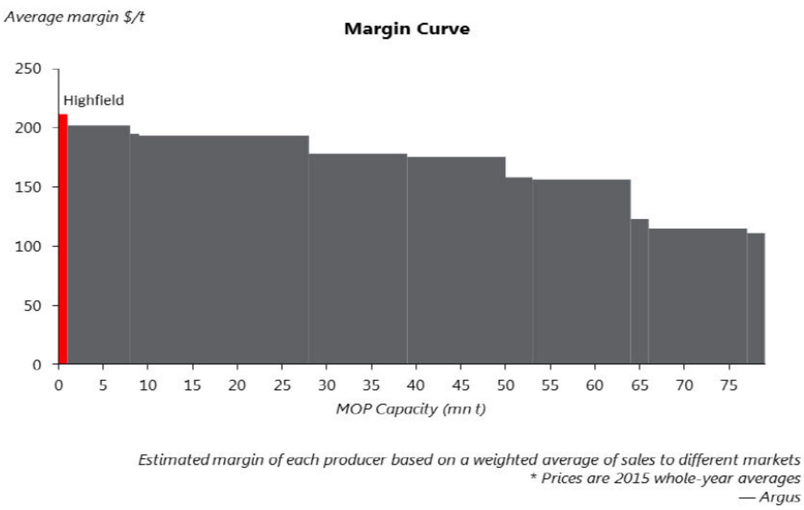
Key Project Metrics for Muga

- Initial Capex: €267m
- Production: 540ktpa K60 (Phase 1) + 540ktpa (Phase 2) for €146m funded from cash flow
- All-in Sustaining Cost to customer: €132/t
- **AISC margins at current prices of ~€250/t are ~47%, or €127m p.a., or ~A$182m p.a.**
- **Post-tax IRR at current prices of €250/t is 21% (our estimate)**

At a time when the potash price is under pressure and many major potash mines are losing money (particularly in Canada), we still project very healthy margins and return on capital for Muga.

i.e. Muga is projected to generate solid cash flow through the cycle, as shown in chart below.

Potash Margin Curve including Transport Costs



This chart was prepared by Argus, an independent industry expert in potash.

In Argus's view, Muga is expected to generate the best margins of any potash mine globally if the transport costs to customer are included.

Source: Highfield investor presentation, 18 November 2016

MUGA: ENVIRONMENTAL APPROVAL IN Q2 CY17?

While the company's original expectations were for an earlier approval of the Environmental Permit, we believe genuine progress is being made and approval should be forthcoming by Q2 CY17.

The Environmental Permit for Muga has been somewhat complicated by the fact that the project straddles 2 provinces in northern Spain (Nararra & Aragón) and thus requires approval by the central government in Madrid.

On 16 December 2016, Highfield received written notification from the Permitting Authority in Madrid[1]. In summary:

- Several referral authorities in Spain were invited to provide input on the company's ESIA (Environmental & Social Impact Assessment)
- Those responses were received and aggregated by the Permitting Authority
- On 16 Dec 2016, the Permitting Authority asked Highfield to formally respond to the items raised by the referral authorities within 3 months

Highfield immediately began preparing a response, but also indicated the correspondence from the Permitting Authority "does not identify any new items or areas of concern for the company".

Our assumed timetable for Muga's development is now:

- Formally respond the items raised by the Permitting Authority by ~17 March 2017
- Receive the Environmental Approvals for Muga in Q2 2017
- Receive the Mining Licence for Muga in 2H 2017

WHY DO WE THINK SHOULD MUGA GET ITS PERMITS?

While clearly there are no guarantees, we believe there are a number of reasons why Muga *should* receive its environmental permit now that a government has been formed in Spain:

- Unemployment in Spain is very high at ~18.6%[2]. Youth unemployment is even worse at 43%... and over 50% regional areas. Job creation was a major political issue in the recent election and consequently we believe there is strong political will in Spain to approve the development of Muga. Muga will create hundreds of jobs directly and thousands of jobs indirectly. The multiplier for indirect jobs for services supporting a mine is typical ~10x.
- Low visual impact: Muga will be an underground mine, with modest visual impact compared to an open pit mine
- Benign commodity: Potash is a salt and a relatively benign commodity compared to others (like uranium) and does not involve chemicals like cyanide in the process plant (like many gold projects). There are also a number of operating potash mines in Spain. Berkley Resources (ASX:BKY), a Spain-based uranium developer has also received its environmental and mining permits, which we believe demonstrates the Spanish Govt is supportive of mining.
- Strong community support: While there is always some local opposition to *any* mine, according to the company, most of the local community is in favour of developing Muga

[1] The Ministry of Agriculture, Fishing, Food and Environment (MAPAMA formerly referred to as MAGRAMA)

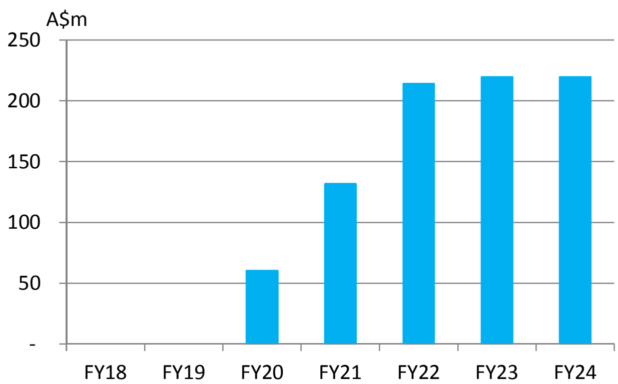
[2] http://www.thestandard.com.hk/breaking-news.php?id=84192

MUGA DEVELOMENT DE-RISKED ON MANY FRONTS

While the approval of the Environmental Permit for Muga remains the key near-term catalyst, Highfield has de-risked most of the other key elements required to develop this project:

- CEO transition to a proven mine builder
  - Mr Peter Albert became the CEO on 1 September 2016. Mr Albert has over 30 years' experience managing mine construction and operations around the world. He has had leadership roles with OZ Minerals, Oxiana, Fluor, Shell-Billiton and recently had CEO roles in Hong Kong at Jinchuan Group International Resources Company and the G-Resources Group. His recent achievements include building the Sepon gold and copper mines in Laos and the Martabe gold mine in Indonesia.
- €185m of project debt in place
  - All four lead banks have received credit approval, subject to normal conditions precedent (i.e. all necessary approvals, securing 100% of funding required, etc)
  - The banking syndicate comprises four highly credible European commercial banks: BNP Paribas, ING, Societe Generale and one another European bank (not disclosed).
- MOUs on offtake for >100% of Phase 1 (540ktpa)
  - 600ktpa of offtake arranged via non-binding MOUs signed with 3 trading companies: Keytrade AG, Ameropa AG and Trammo AG. We expect these agreements will become binding once HFR secures all the necessary permits and funding
  - HFR had signed MOUs for an additional 320ktpa of offtake with fertiliser companies in Europe, but decided to cancel them because the ASX reporting rules required that these parties be named. The company believes these European fertiliser companies are still interested in product from Muga, and will probably sign offtake agreements once the permits for Muga have been secured.
- Fixed price construction contract
  - HFR continues to work closely with global construction group Acciona with a view to executing a fixed price lump sum construction contract. The company has reported that Acciona's cost estimate compares favourably with the company's Optimisation Study completed in November 2015.
- Electricity agreement
  - HFR has signed an agreement with Iberdrola to supply electricity from the local grid
- MOU for port capacity
  - HFR has signed an MOU with the Port of Pasajés (located ~150km north of Muga) for a minimum capacity of 400ktpa with confirmed port capacity of over 1mtpa.

Muga EBITDA at Potash Prices of €250/t



Source: Company, Blue Ocean estimates

We forecast EBITDA of A$220m p.a. in FY22. The typical trading range for potash producers is a forward looking EV/EBITDA of 8-10x.

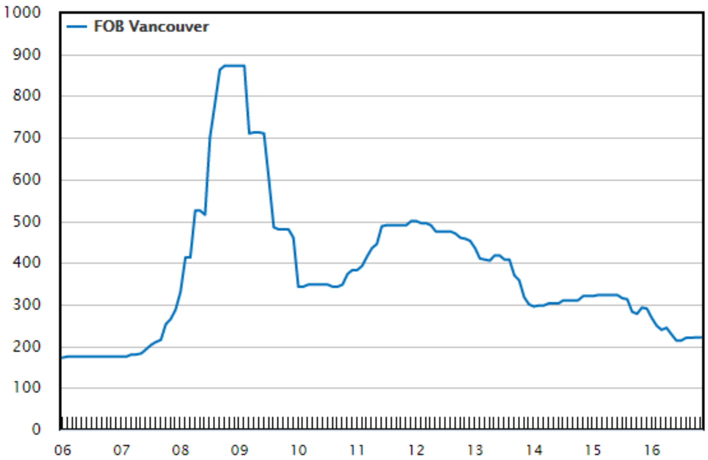
Even at 8.0x, this implies on Muga alone, over the next ~3.5 years HFR's enterprise value could potentially grow materially by 388%:

- From ~A$360m today
- To ~A$1,760m in FY21

POTASH PRICES: MUGA ~47% MARGINS AT SPOT

Potash prices have been under pressure in recent years, but interestingly granular potash prices in Europe (HFR's key market) have held up considerably better.

Potash Price, FOB Vancouver for *Standard* MOP (US$/t)

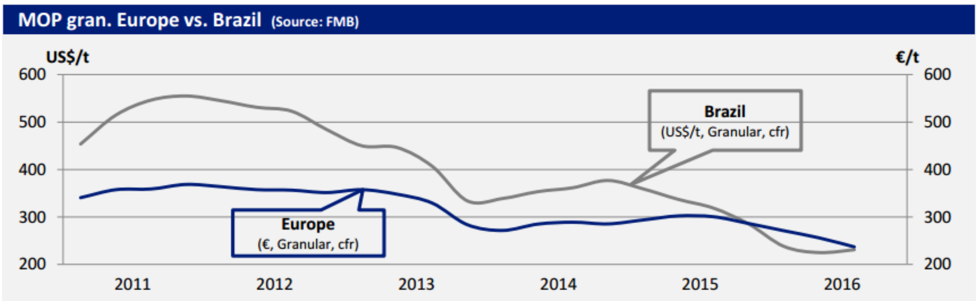


The spot price for *standard* MOP FOB Vancouver is ~US$215/t.

But Muga will produce a *granular* product which attracts a premium.

Source: PotashCorp, Fertecon, Green Markets, 3 Feb 2017[3]

Potash Price, CFR Europe for *Granular* MOP (€/t) (in blue)



The spot price for *granular* MOP CIF Europe is ~€250/t.

i.e. Granular prices in Europe have held up considerably better.

Source: FMB, K+S Presentation 18 January 2017[4]

Thus, based on the Optimisation Study in November 2015 on our estimates, at current granular prices CIF Europe, Muga would have:

- Net Realised Prices of ~€250/t
- All-in Sustaining Costs to customer of €132/t
- AISC margins to customer of €118/t, or
    - 47%; or
    - €118m p.a. for >40 years once at full production of 1.08mtpa; or
    - A$181m p.a. for >40 years!

Bottom line: While potash prices have been under pressure in recent years and many potash mines are losing money, Muga's competitive advantages (see p2) mean the project *should* generate robust cash margins through the cycle, and would be generating *very* healthy margins at current prices.

[3] http://www.potashcorp.com/customers/markets/market_data/prices/

[4] http://www.k-plus-s.com/en/publikationen/praesentationen.html

SCOPING STUDY FOR SOP PROJECT

While Highfield's primary focus remains developing Muga, in June 2016 the company completed a very interested Scoping Study assessing the potential to upgrade 40% of Muga's production to a higher value SOP product.

While this project is unlikely to be pursued until Muga is up and running, several of the large global potash players have shown interest in moving into the SOP market, to capture the wider margins, but also to diversify their revenue streams. By completing this Scoping Study, we believe HFR has provided potential suitors with some useful figures to compare the Muga SOP project against their own plans in the SOP space, and as such we believe this project adds corporate appeal.

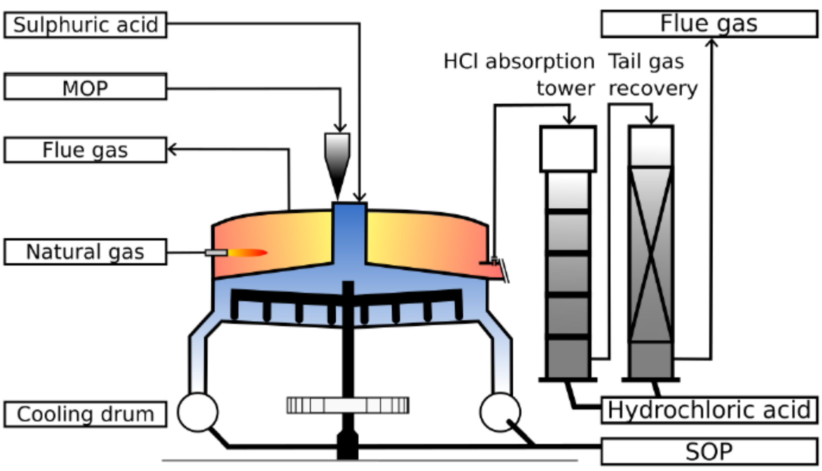
Highfield also has a number of pipeline projects (discussed in the next section) but the SOP project has the highest post-tax IRR at current prices and as such we believe it is one of the front runners to be Highfield's next major project once Muga is up and running.

A brief summary of the SOP project:

- Essentially this is a bolt-on project for Muga (no change to the flagship Muga MOP project)
- 40% of Muga MOP would be sold to SOP project at spot prices
- **Represents opportunity to capitalise on significant US\$250-400/t premium for SOP** (for additional opex of just US\$89/t)
- **Very low capital intensity compared to SOP peers**
- Initial capex only US\$100m and we estimate US\$90m p.a. EBITDA for >40 years at an SOP price of US\$550/t (SOP price has recently been over US\$700/t). i.e. **Very rapid payback.**
- Opex to port of US\$370/t **would make HFR one of the lowest cost Mannheim producers globally** (around the ~50% percentile on the SOP cost curve)
- We estimate the SOP Project has compelling financial metrics:
  - Post-tax NPV of US\$583m
  - Post-tax IRR of 42%

While we believe this project represents a compelling option down the track for HFR and we believe it adds corporate appeal, given this project is likely long-dated we have applied a heavy 80% discount the our NPV for this project in our valuation of HFR.

Diagrammatic representation of the Mannheim Process



Source: Company

The conventional Mannheim process would take advantage of captive MOP supply, low cost sulphuric acid, low-cost natural gas and nearby limestone for hydrochloric acid by-product treatment.

HFR has signed non-binding MOUs for the port site, sulphuric acid supply, limestone, direct HCl sales and calcium chloride by-product offtake.

PIPELINE PROJECTS

In our experience, many mine developers have a solid flagship project, supported by materially weaker second and third projects. This is not the case with Highfield.

While Highfield's pipeline projects are much earlier stage than Muga, it is highly likely that several of them share all the same competitive advantages (as outlined on page 2). It is also possible that some of these pipeline projects could even be *better* than Muga. The company has reported a series of exploration targets based on detailed seismic work in the region.

Highfield's pipeline projects comprise:

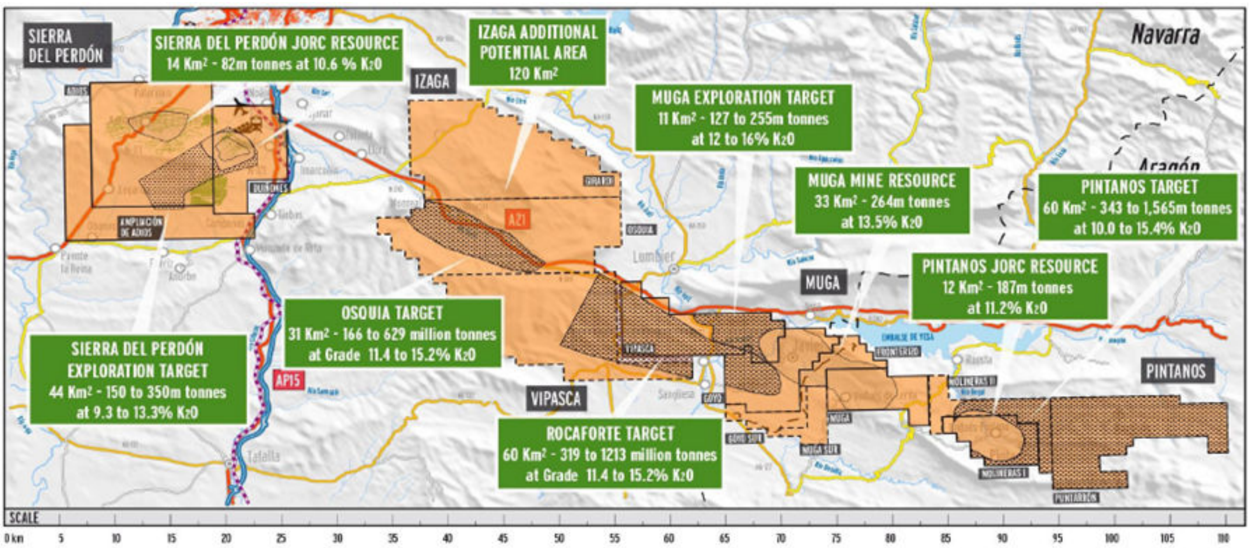
- Muga Extension: Exploration Target 191mt @ 14% K2O (a potential ~70% increase)
- Muga By-Product Project: A bolt-on project for Muga which monetises salt by-product credits (which are ignored in the Muga base case). Scoping Study completed 1 May 2015.
- Sierra del Perdon: A brownfields potash project with a resource of 82mt @ 10.6% K_2O. Scoping Study completed 20 April 2015 for a 520ktpa K60 project. Sierra del Perdon also has an Exploration Target of 250mt @ 11.3% K_2O.
- Pintanos: Existing resource of 187mt @ 11.2% K_2O. Substantial Exploration Target of 1,049mt @ 11.5% K_2O. Pintanos sits in the same sub basin as Muga, separated by a structural saddle which occurred *post* mineralisation. Thus the company believes Pintanos is likely to be very similar to Muga, on the other side of the structural saddle.
- Vipasca: Another substantial Exploration Target of 1,160mt @ 13.3% K_2O, broken into two projects called Rocaforte & Osquia.

While we don't believe equity markets are likely to subscribe much value to these pipeline projects (yet!), we *do* believe they represent significant blue sky for potential acquirers, and add *significant* corporate appeal in our view.

For comparison with the projects above, the resource at Muga comprises 264mt @ 13.5% K_2O.

Given we value Muga at ~A$750m based on spot prices, a 20% discount to NPV and effectively ignoring more than half the cash flow over the 47 year mine life due to discounting, longer term we believe it's likely Highfield's pipeline projects could be worth hundreds of millions of dollars.

Highfield's tenement package in northern Spain



Source: Company

STRATEGIC VALUE & M&A APPEAL

Given many of the large potash mines around the world are loss making at current prices, we believe Highfield may hold considerable corporate appeal for several of the potash majors.

While Highfield is only targeting production of 1.08mtpa at Muga (a relatively modest-sized project in a global context) given the project has a 47-year mine life (ignoring the Exploration Target), a larger company with a bigger balance sheet, may well consider doubling the production at Muga to 2.2mtpa... which is starting to become a more meaningful scale in a global context.

Clearly the company's pipeline projects (outlined on p7) represent the potential for further production growth.

Given Muga is projected to be one of the highest margin mines in the world (see chart on p2), we believe Highfield potentially represents the opportunity for a major acquisitive potash player to:

- Reduce the average cost of production across the portfolio
- Allow the closure of higher cost mines in the portfolio without giving up market share
- Establish a foothold in Europe in what we believe could potentially become a new low-capex, low-opex potash *district*

Alternatively, Highfield may also represent the opportunity for a major fertiliser company (with interests in nitrogen or phosphate) to add low-capex, low-opex potash production to the portfolio.

With all of this in mind, we continue to regard Highfield as a potential takeover target. We also believe any potential suitor will probably wait until the company receives its Environmental Permit (and perhaps its Mining Licence too) for Muga before making an approach.

So if Highfield can successfully obtain its permits for Muga this year, we believe there is a reasonable chance a bid will emerge before year end.

CHANGES TO OUR FORECASTS

We have made a number of material changes to our forecasts since we last published, primarily due to the delay receiving permits. The key changes comprise:

- We have pushed out first production materially to the Dec half CY19, based on HFR:
  - Securing the Environmental Permit by Q2 CY17
  - Securing remaining finance during 2H CY17
  - A 24 month construction period
- We have trimmed our long term realised European granular potash price 4% from €260/t to €250/t (a more detailed overview on potash prices is provided on page 5)
- The vast majority of our project assumptions for Muga remain unchanged, and in line with the company's Optimisation Study released in November 2015
- In line with the company's release on 28 Sept 2016, our forecasts now assume the 50m Class B Performance Shares lapse on 18 October 2017 since the vesting conditions of these shares are unlikely to be met. The Class B Performance Shares require Highfield to obtain all the permits necessary to *operate* Muga before 19 October 2017, and given operating permits are not typically granted until a mine has been built, we now assume these shares lapse.

PRICE TARGET & RATING

Our revised $3.10 Price Target for Highfield (previously $3.00) is primarily based on a 20% discount to NPV for Muga, calculated using the current European granular potash price of €250/t (see p5)

We rate Highfield a high conviction Buy and our $3.10 Price Target represents an implied return of >150%.

STRATEGIC TARGET

To derive our longer-term $6.50 Strategic Target we assume Highfield successfully brings Muga into production.

We also assume the stock re-rates as it makes the transition to production and begins to trade in line with other potash producing peers on an EV/EBITDA multiple of ~8-10x.

We see significant upside potential to our Strategic Target if Highfield can bring its pipeline projects up the development curve and use the cash flow generated from Muga to bring these projects into production. While there is considerable work required to confirm the viability and economic returns of these projects, we see potential, longer-term for our Strategic Target to eclipse $10.00 per share.

KEY RISKS

Highfield Resources is exposed to all the normal risks associated with developing and operating mining projects, including permitting, funding and construction risk.

Assuming the company makes the transition into production, the company's revenues will be primarily derived from the sale of potash. Fluctuations in the potash price as well as the Australian dollar could impact the company's reported cash flow (in A$), profitability and share price.

As HFR's flagship Muga project is based in Spain, an investment in Highfield Resources also carries Spanish sovereign risk.

MODEL SUMMARY: FINANCIALS & VALUATION (A$M)

Stock Details					
Recommendation:	Buy			Diluted MCap	$447m
Target	$3.10	Share Price	$1.20	Diluted Shares	373m
Risk-Adjusted NAV	$3.14	52 Week High	$1.90	Free Float	51%
Implied Return	158%	52 Week Low	$0.97	Avg Daily Value	$0.6m

Enterprise Value $370m

Macro Assumptions	FY16	FY17E	FY18E	FY19E	FY20E
Exchange Rate (A$/US$)	0.73	0.74	0.72	0.71	0.70
Exchange Rate (€/US$)	1.11	1.09	1.10	1.10	1.10
Granular Potash Price (€/t)	-	-	-	-	250

Profit & Loss (A$m)	FY16	FY17E	FY18E	FY19E	FY20E
Revenue	-	-	-	-	117
Operating Costs	-	-	-	-	(56)
Operating Profit	**-**	**-**	**-**	**-**	**60**
Corporate & Other	(13)	(6)	(6)	(6)	(6)
Exploration Expense	-	(5)	-	-	(1)
EBITDA	**(13)**	**(11)**	**(6)**	**(6)**	**54**
D&A	(0)	-	-	-	(3)
EBIT	**(13)**	**(11)**	**(6)**	**(6)**	**51**
Net Interest Expense	2	2	2	(4)	(17)
Pre-Tax Profit	**(11)**	**(10)**	**(4)**	**(10)**	**34**
Tax	-	-	-	-	(8)
Minorities	-	-	-	-	-
Underlying Profit	**(11)**	**(10)**	**(4)**	**(10)**	**25**
Signficant Items (post tax)	-	-	-	-	-
Reported Profit	(11)	(10)	(4)	(10)	25

Cash Flow (A$m)	FY16	FY17E	FY18E	FY19E	FY20E
Operating Cashflow	(3)	(6)	(6)	(6)	54
Tax	-	-	-	-	-
Net Interest	2	2	2	(4)	(17)
Net Operating Cash Flow	**(1)**	**(4)**	**(4)**	**(10)**	**37**
Exploration	(24)	(23)	-	-	(2)
Capex	(0)	-	(144)	(195)	(139)
Acquisitions / Disposals	-	-	-	-	-
Other	-	-	-	-	-
Net Investing Cash Flow	**(24)**	**(23)**	**(144)**	**(195)**	**(141)**
Equity Issue	0	3	108	53	-
Borrowing / Repayments	-	-	-	185	79
Dividends	-	-	-	-	-
Other	-	-	-	-	-
Net Financing Cash Flow	**0**	**3**	**108**	**238**	**79**
Change in Cash Position	(25)	(24)	(40)	33	(25)
FX Adjustments	(0)	-	-	-	-
Cash Balance	**94**	**70**	**30**	**63**	**38**

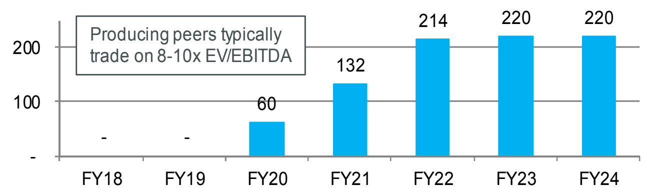
Balance Sheet (A$m)	FY16	FY17E	FY18E	FY19E	FY20E
Cash & Cash Equivalents	94	70	30	63	38
Other Current Assets	1	1	1	1	1
PP&E	0	0	144	340	475
Exploration & Development	63	80	80	80	82
Other Non Current Assets	1	1	1	1	1
Total Assets	**158**	**152**	**256**	**484**	**597**
Debt	-	-	-	185	264
Other Liabilities	4	4	4	4	12
Net Assets	**154**	**148**	**252**	**295**	**321**

Ratio Analysis		FY16	FY17E	FY18E	FY19E	FY20E
Diluted Shares	m	362	365	457	457	457
EPS - Diluted	Ac	(2.9)	(2.7)	(1.0)	(2.2)	5.6
P/E	x	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**21.5x**
CFPS - Diluted	Ac	(0.3)	(1.1)	(1.0)	(2.2)	8.2
P/CF	x	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**14.6x**
FCF - Diluted	Ac	(7.6)	(7.9)	(32.9)	(44.1)	(19.0)
P/FCF	x	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**n.m.**
Dividends	Ac	-	-	-	-	-
Dividend Yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A$m	353	377	417	570	673
EV/EBITDA	x	**n.m.**	**n.m.**	**(68.5x)**	**(91.9x)**	**12.6x**
ROE	%	(7%)	(6%)	(2%)	(3%)	8%
ROA	%	(7%)	(6%)	(2%)	(2%)	4%
Net Debt / (Cash)	€m	(94)	(70)	(30)	122	226
Gearing (ND/(ND+E))	%	(155%)	(90%)	(14%)	29%	41%
Gearing (ND/E)	%	(61%)	(47%)	(12%)	41%	70%

	P&P Reserves			M&I Resources			Inferred
	mt	% K_2O	mt K_2O	mt	% K_2O	mt K_2O	mt K_2O
Muga	253.7	11.5	29.2	225	13.4	30	5
Sierra del Perdon	-	-	-	42	10.7	4	4
Pintano	-	-	-	-	-	-	21
						M+I+I (mt K_2O):	**65.1**

Earnings Sensitivity			FY20E	FY21E	FY20E	FY21E
			A$m	A$m	%	%
Potash Price	€/t	+10%	8	19	29%	23%
Exchange Rate	€/US$	-10%	4	10	14%	12%

MUGA EBITDA (A$m)



Valuation	Discount	Stake	A$m	A$/sh	
Muga	20%	100%	758	2.03	
SOP Project	80%	100%	156	0.42	
Pipeline Projects	90%	100%	135	0.36	
Muga Exploration / Expansion		100%	123	0.33	
Corporate & Other			(77)	(0.21)	
Debt			-	-	
Cash			78	0.21	P/NAV
Net Asset Value			**1,172**	**3.14**	**0.38x**

Source: Company data, Blue Ocean Equities

MODEL SUMMARY: OPERATIONAL INPUTS & FREE CASH FLOW (US$M)

Macro Assumptions		FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
AUD Exchange Rate	A$/US$	0.72	0.71	0.70	0.70	0.70	0.70
EUR Exchange Rate	€/US$	1.10	1.10	1.10	1.10	1.10	1.10
Granular Potash Price	€/t	-	-	250	250	250	250

Operational Summary		FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Muga							
Tonnes Processed	mt	-	-	1.8	4.0	6.4	6.6
Head Grade (K60)	% KCl	-	-	19%	19%	19%	19%
Recovery	%	-	-	85%	85%	85%	85%
Potash Production (K60)	**kt KCl**	**-**	**-**	**297**	**648**	**1,053**	**1,080**

FCF Contribution	US$m	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Muga							
Revenue		-	-	82	178	290	297
Operating Costs		-	-	(39)	(86)	(140)	(143)
Sustaining Capex		-	-	(2)	(5)	(9)	(9)
Corp Overheads		-	-	(4)	(4)	(4)	(4)
All-in Sustaining Margin		**-**	**-**	**35**	**83**	**137**	**141**
Growth Capex		(104)	(139)	(95)	(80)	(20)	-

Group Summary		FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Potash Production (K60)	**kt KCl**	**-**	**-**	**297**	**648**	**1,053**	**1,080**
All-in Sustaining Cost	€/t	-	-	138	134	132	132
AISC Margin	**%**	**-**	**-**	**45%**	**46%**	**47%**	**47%**

Group Summary	US$m	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Revenue		-	-	82	178	290	297
All-in Sustaining Cost		-	-	(46)	(96)	(153)	(156)
All-in Sustaining Margin		**-**	**-**	**35**	**83**	**137**	**141**
Growth Capex		(104)	(139)	(95)	(80)	(20)	-
Growth Exploration		-	-	(2)	(2)	(2)	(2)
All-in Margin		**(104)**	**(139)**	**(61)**	**0**	**115**	**138**

Corporate	US$m	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Cash Tax		-	-	-	-	(25)	(32)
Other Items		(5)	(4)	(0)	0	(0)	(0)
FCF pre Debt Service		**(108)**	**(143)**	**(61)**	**0**	**89**	**106**
Net Interest on Debt		1	(2)	(12)	(14)	(14)	(8)
Debt Drawdown / (Repayment)		-	131	55	-	(46)	(92)
FCF post Debt Service		**(107)**	**(14)**	**(17)**	**(14)**	**29**	**5**

New Equity/Dividends	US$m	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Proceeds from Shares/Options		78	37	-	-	-	-
Dividends Paid		-	-	-	-	-	-
Change in Cash		**(29)**	**23**	**(17)**	**(14)**	**29**	**5**
Cash Balance		22	44	27	13	42	47

Source: Company data, Blue Ocean Equities

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