

Australian Potash Ltd

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Australian Potash remains undervalued compared to peers: Hartleys

Australian Potash Ltd (ASX:APC) recently completed a Definitive Feasibility Study (DFS) for its 100% owned Lake Wells SOP Project in Western Australia.

The DFS envisions a 30-year operation producing 4.5 million tonnes of premium high-grade sulphate of potash (SOP) and generating \$3.1 billion in pre-tax free cash flow.

Hartleys has maintained its speculative buy on APC, with a price target of 30 cents per share (up from 25 cents).

Following is an extract from Hartleys' research update on APC:

LSOP DFS delivers a strong margin, long-life project

Australian Potash Limited (APC) recently completed the Definitive Feasibility Study (DFS) on the development of its 100%-owned Lake Wells Sulphate of Potash Project (LSOP) in WA.

The DFS confirms the strong technical and economic viability of the project, and highlights potential for a long-life (+30 years), potash operation designed to produce 150ktpa SOP, and has capital costs of A\$208M (includes a contingency of A\$20M). LOM operating costs of US\$262/t (~A\$391/t) are also expected to be highly competitive (first quartile) and translate to solid margins for capital payback in under 5 years on post-tax earnings estimates. An estimated all-in-sustaining cost (AISC) for the project is ~US\$285/t (~A\$425/t), which implies a margin of +US\$270/t at current spot SOP prices.

The capital intensity of the project also appears attractive at ~A\$1,387/t SOP, which is below the peer average, and ~30% less capital intensive than some more recently constructed brine projects globally.

Next steps FEED, binding offtakes and project financing

APC now plans to complete binding off-takes for its premium-quality SOP and finalise the debt package for the project financing. The front-end engineering design (FEED) is commencing imminently, with the LSOP expected to be developed over ~24 months from the final investment decision (FID). We see potential for FID in early CY20, assuming offtakes and project financing can be secured, and now model first production from mid CY22.

High confidence maiden reserve providing 95% of LOM output

The LSOP is expected to be serviced by a borefield network consisting of some 78 bores. APC has an envious position of having a deep palaeochannel (3-4x deeper than peers) which has made the estimation of reserves, and the anticipated abstraction of brine easier. The Company recently upgraded its

Price: 0.087

Market Cap: \$31.11 m

1 Year Share Price Graph



Share Information

Code: APC

Listing: ASX

52 week High Low
0.135 0.0648584

Sector: Agribusiness

Website: www.australianpotash.com.au

Company Synopsis:

Australian Potash Ltd (ASX:APC) is listed on the Australian Securities Exchange.

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Lake Wells SOP resource to 18.1Mt, with 100% of the resource Measured. The high confidence drainable resource has been converted to a maiden reserve of 3.6Mt of SOP, providing 95% of the LOM output and the balance coming from further Measured resources.

While the project is located ~280kms from a rail terminal at Leonora, the DFS has been modelled on the assumption of a 100% road freight to the Geraldton Port. The local shire of Laverton continues with works to tar-seal the Great Central Road, providing ~70kms of bitumen for improved transport logistics. The upgrade of the access road into Lake Wells (~90kms) is also being considered. The improved logistics, lowering transport costs was one of the outcomes delivered in the DFS.

Undervalued, favourable economics, funding seen as key risk

APC remains undervalued on peer comparisons, and we would argue still offers good value, in regards to highly favourable economics, transport infrastructure, low capital intensity and high-quality SOP product offerings.

We maintain our **Speculative Buy** on APC, with a price target of 30cps (up from 25cps). APC's current cash position is estimated to be ~A\$3M, which provides some funds to commence FEED activities and for ongoing offtake decisions. Project funding is seen as the key near-term risk to development.

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