15 June 2020

Emmerson Plc ("Emmerson" or the "Company")
Emmerson's Focus Shifts to Permits, Finance and Growth Projects

Emmerson Plc, the Moroccan focused potash development company, is pleased to provide an update on the various workstreams underway following the release of the Feasibility Study ("FS") for the Company's 100% owned Khemisset Potash Project located in northern Morocco ("Khemisset" or "the Project").

Highlights

- Company focus now shifts to moving Khemisset towards "shovel ready" status including operational capability build-out, Front End Engineering and Design ("FEED"), detailed design and financing
- Permitting process is well underway including stakeholder engagement, socio-economic impact assessments and the Environmental and Social Impact Assessment ("ESIA")
- The FS, which confirmed a post-tax NPV_8 of US$1.4bn and robust financials including over US$300m p.a. in EBITDA, provides the catalyst for engagement with various potential financing groups to commence detailed due diligence
- Detailed examination of various complementary growth options including:
  - Developing a scope of work for a Pre-Feasibility Study ("PFS") for Emmerson's Sulphate of Potash ("SOP") Project, which could take the combined post-tax NPVs for the Company's suite of projects to over US$1.8bn
  - Technical and market impact of upscaled production of the salt by-product in the first five years of operations at Khemisset
  - Bring the vast remaining resources at Khemisset into the mine plan by extending the overall mine life or offering the option of increasing production in the first five years of operations

Hayden Locke, CEO of Emmerson, commented:

"We are pleased with the results of the Feasibility Study, but now our attention must turn to the next phase of development as we seek to move the Project one step further towards our goal of becoming an independent potash producer.

"Despite the impacts of the Coronavirus pandemic, we continue to make progress with our ESIA, which is one of the key workstreams required to be completed prior to our application for a mining permit at Khemisset. Our objective is to have it ready for final submission to the Government authorities by the end of Q3 2020, in line with our original schedule. While we know this will be a challenge, our team has proven itself to be adept at continuing to move key workstreams forward regardless of the circumstances and I am sure this will be no exception. Once the ESIA is signed off by the Government, we will be able to apply for our mining permits.

"Financing will continue to be a focus for Emmerson. The Feasibility Study is the catalyst for various discussions, across debt, equity and non-traditional financing products, to commence in earnest. Over the last two years, we have engaged with numerous potential funding partners and have identified several which we believe would make excellent partners for the Company in the development of Khemisset. We look forward to updating the market as these discussions progress.

"Building out a team with the operational capability to construct and operate a large scale mine is a challenge for any junior mining company, and I see this as one of the main execution risks to address. We will look to add

additional members to our team in the coming months as we start this especially important next phase of our development.

"Clearly, our focus must be on Khemisset, but we are also aware that we have several growth options available to the Company, which can add significant value to our shareholders over the life of the project. One of the most pleasing aspects of the recent Feasibility Study was the profitability of the salt by-product. Given the 1Mtpa of sales assumed in the study represents less than a third of our total de-icing salt production – the remainder is left as waste – there is a clear opportunity for further improvement to our already first-class economics by increasing the quantity of salt sold. In addition, we intend to move our Sulphate of Potash project from a Scoping Study level of definition to a PFS level. And finally, as our current mine life of 19 years is based on only 43% of our total Mineral Resource Estimate, we will examine the potential timing with respect to bringing the significant remaining resource into the Project's mine plan, which could more than double our current mine life.

"We would like to thank our shareholders again for their support, and we look forward to the next phase of our development in partnership with you."

PROJECT WORKSTREAMS

The FS confirmed the world class characteristics of Khemisset including industry leading capital cost to production and a post-tax NPV_8 of US$1.4bn based on industry expert Argus FMB price forecasts. Perhaps more importantly, it confirmed robust cashflow generation (over US$130m in EBITDA) and IRRs (nearly 15%) at potash prices well below the current contracted potash price in its target markets of Brazil, North West Europe, the USA, central America and Morocco.

The Company's focus will now shift towards the vital workstreams required to move Khemisset toward construction and, eventually, production. These include permitting, financing, operational capability build-out and Front End Engineering and Design ("FEED") before finally moving to detailed design and engineering ready for the commencement of construction.

In addition, Emmerson will re-examine the potential of the various growth and expansion options available to it including the SOP Project, de-icing salt expansion potential and Khemisset Potash Mine life extension. The SOP Project alone has the potential to take the combined post-tax NPVs for the Company's suite of projects to over US$1.8bn, based on the Scoping Study.

Permitting

On 22 May 2019, the Company released the permitting roadmap, which outlined the process required to obtaining the various permits for Khemisset. The major workstreams include:

- Conversion of existing Research Permits to Mining Permits, governed by the Ministry of Energy and Mines
    - Requires the demonstration of technical and economic feasibility, to be fulfilled by upcoming feasibility studies
- Environmental Approval, to be governed by the Moroccan Government Comité National de l'Evaluation de l'Impact sur l'Environnement ("CNEIE"). The CNEIE will require the Company deliver:
    - ESIA to Moroccan standards. The Company will also ensure this complies with IFC standards and Equator Principles

- An Environmental and Social Monitoring Program ("ESMP") to formalise ongoing monitoring and management of any issues identified in the ESIA
- A Public Enquiry period, during which relevant stakeholders can formally request information of the Company

- Water Usage Permits, governed by the relevant Water Basin Agency
- Temporary Occupation Permits for any Government land intended to be utilised
- Construction Permits for all structures and tailings facilities

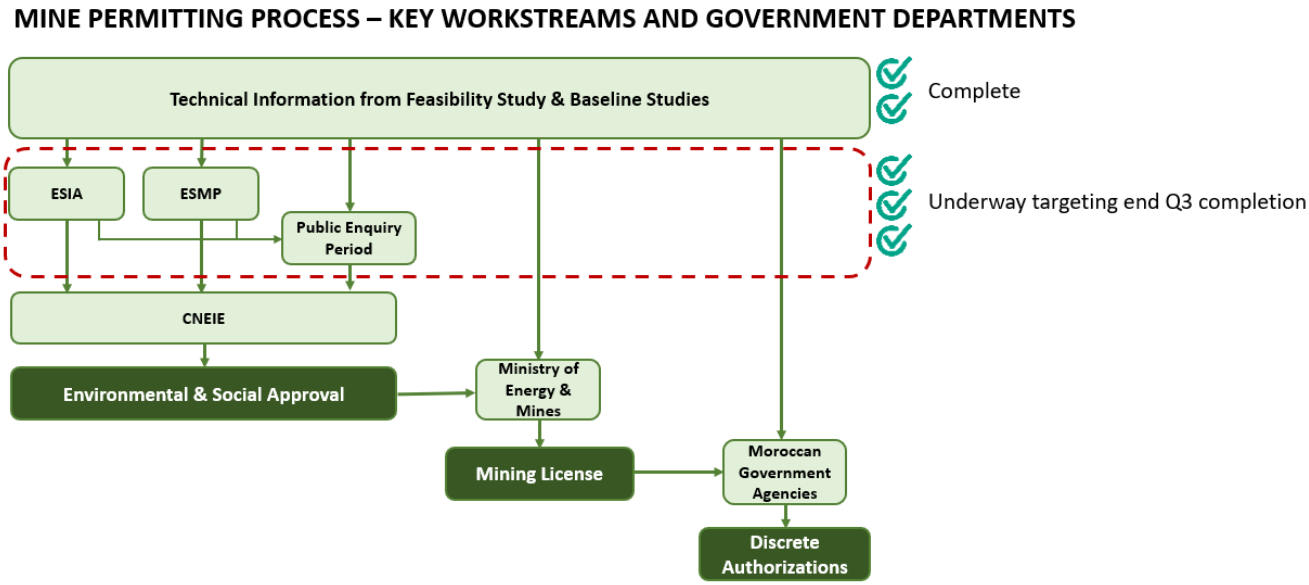

Figure 1: Permitting Process Overview

Financing

Since listing in June 2018, the Company has maintained regular dialogue with a variety of potential longer-term financing partners for the Project including banks, other debt funds, non-traditional financing partners and a range of potential strategic partners. The completion of a FS is generally a requirement to move to more serious financing discussions with these groups; the Company therefore intends to engage in more detailed due diligence with these potential partners in the coming months.

The Company has no preconceived ideas as to the optimum financing mix for the future development of Khemisset and will examine each potential option, and potential combinations of them, to ensure it moves forward with a financing structure that is beneficial for its current shareholders.

Operational Capability Build-Out

Operational Capability is one of the key execution risks which must be addressed required to commencing construction of a large-scale mining project. Emmerson is currently a small Company, which utilises external consultants wherever possible to provide technical expertise and advice.

As the Company moves closer towards production, employing a suitably skilled owner's team, which can manage the day to day engineering, contract implementation and performance against contracts, becomes increasingly important. Emmerson will continue to identify and hire suitably qualified candidates to build out its owner's team but will continue to adhere to its operating philosophy of running a lean team with low overheads.

GROWTH OPTIONS

The Company will continue to pursue potentially value adding projects which complement the core Khemisset Potash Project.

Sulphate of Potash

On 25 November 2019, the Company released a Scoping Study for its SOP Project in Morocco. Emmerson has commenced scoping the next phase of development for its SOP Project which would comprise a PFS encompassing more detailed engineering and further site investigations in Jorf Lasfar.

During the PEA, detailed analysis was conducted on all aspects of the Project, providing a thorough understanding of the main business drivers of the SOP business. Based on this, the Company has identified several key areas where Emmerson is expected to have a sustainable competitive advantage:

- A captive source of MOP proximal to the Mannhein production facility by land;
- Low-cost sulphuric acid, ideally co-located with the project;
- Proximity to export ports and end customers;
- Production facilities located in port with gas and steam; and
- Proximity to either consumers of hydrochloric acid, sources of phosphate rock and/or alternate limestone related options to either neutralise acid or convert it into a high margin derivative product. This is key as the primary operating issue that Mannheim producers face is the disposal or monetisation of the waste HCl stream.

The Scoping Study considered an SOP Mannheim facility with production capacity of 240,000 of K_{50} SOP per annum over an initial project life of 20 years.

Financial analysis showed the SOP Project to be financially robust, delivering strong NPVs and cashflows through a range of SOP prices. A summary of NPVs at a variety of potash prices and discount rates can be seen in **Table 2** below.

NPV – US$ millions		DISCOUNT RATE				
		5%	8%	10%	12%	15%
SOP PRICE CFR USA	550	326,955,232	224,766,156	175,656,459	137,187,553	93,817,373
	600	474,116,253	336,249,863	269,933,114	217,919,726	159,147,717
	675	694,857,786	503,475,424	**411,348,096**	339,017,985	257,143,232
	700	768,438,296	559,217,277	458,486,424	379,384,072	289,808,404
	725	842,018,807	614,959,131	505,624,751	419,750,158	322,473,576

Table 1: SOP Project - NPV Sensitivity to Price and Discount Rate

The Company believes the SOP Project offers significant economic and strategic upside, as well as important diversification of future product mix, which reduces overall business risk. It therefore warrants the additional investment to further assess its potential and to develop a strategy and timeline for its development.

De-icing Salt Expansion

The FS confirmed both the technical and economic viability of the sale of 1Mtpa of salt by-product produced from Khemisset. The Project produces, on average, a total of approximately 4.5Mtpa of salt by-product over the life of the mine. As a result, there is clear potential for significant increases in the tonnages of salt which could be sold into the US de-icing salt market. As the salt at Khemisset is a by-product of potash production, the operating cost associated with its production is very low (refer **Table 2**) and Emmerson is, therefore, expected to be a very competitive producer on a delivered cost basis to the US market.

Operating Cost Item	US$/t NaCl
Process Plant	5.8
Labour and Materials Handling	1.1
Compacting	1.7
Total Cash Cost to Mine Gate	**8.6**
Trucking to Port of Casablanca and Port Charges	14.1
All-in-Sustaining Cash Cost (FOB Casablanca)	**22.7**
Freight to East Coast US	10.0
All-in-Sustaining Cash Cost to East Coast USA	**32.7**

Table 2: Salt By-Product Delivered Cost to East Coast US Market

The US market is the largest salt market in the world with consumption of approximately 57 million tonnes in 2019, of which approximately 42 million tonnes was supplied by domestic supply. This leaves around 15 million tonnes of potential demand for low cost, imported, salt supply. Emmerson believes there is sufficient opportunity for sales of additional tonnes over and above the 1Mtpa considered in the FS, which would deliver further enhancement to the Company's already exceptional economics. Global potash producer, K+S, through its subsidiary, Morton Salt, has achieved an average received price for its de-icing salt product, since 2017, of US$64.50 per metric tonne of de-icing salt (refer **Table 3**).

	2017	2018	Q1/19	Q2/19	Q3/19	Q4/19	2019
Revenues (US$ M)[1]	699.0	843.4	464.7	54.5	79.1	236.8	835.1
Sales volumes (Mt)	10.7	13.5	7.1	0.9	1.3	3.5	12.7
Average price (US$/t)	65.6	62.4	65.4	63.4	62.3	68.4	65.8

Table 3: Summary of K+S De-icing Salt Sales 2017 - 2019

Based on K+S' received prices and using the estimated FS operating costs for de-icing salt from Khemisset into the US de-icing salt market, sales would deliver additional, post tax cash flows of approximately US$26 million

[1] FX rates used as in K+S annual report. (2018: €1.14/USD), (2019: €1.16/USD)

per additional 1 million tonnes of salt sales per annum. Khemisset produces 4.5 million tonnes of salt by-product on average, which equates to nearly US$120 million per annum of potential post-tax free cash flow based on these metrics.

Khemisset Mine Life Extension

The FS showed a 19-year life of mine, which was achieved using only 43% of the total Mineral Resource Estimate ("MRE") of 537 million tonnes with an average grade of 9.24% K_2O. This mine plan is concentrated in the north eastern extent of the current MRE and utilises approximately 204 million tonnes of the total 537 million tonnes of resource.

The South West MRE, which is also only 450m below surface, has a similar sized resource (190 million tonnes) to the current FS mine plan. To access this resource, a second decline is likely to need to be constructed, given the resource is distal to the proposed Mine Infrastructure Area ("MIA"). Management believes that, assuming the cost of a decline in the south western area is similar to the Khemisset Project mine access estimate, it will make economic sense to construct this decline to access the South West deposit.

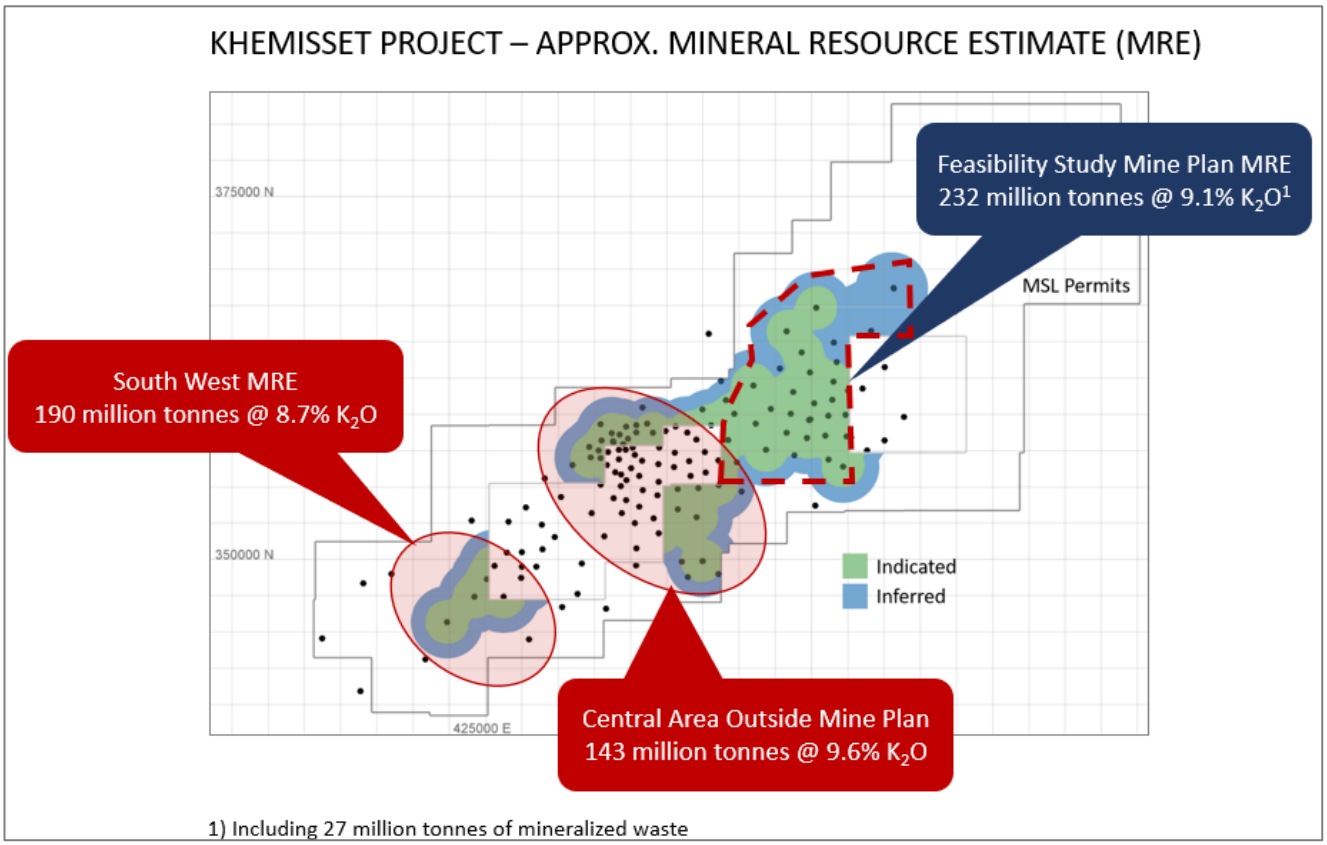

Figure 2: Khemisset Mineral Resource Estimate (MRE)

Furthermore, the central section contains nearly 150 million tonnes of additional resource, which is around 60% of the size of the FS mine plan resource. This could be accessed from the current underground mine design. It should be noted, that a portion of the remaining Central Area MRE may not be extractable due to the location of the resource relative to the city of Khemisset. Further work will be undertaken to understand whether this is extractable.

ENDS

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Notes to Editors

Emmerson's primary focus is on developing the Khemisset Potash Project located in Northern Morocco. The Project has a large JORC Resource Estimate (2012) of 537Mt @ 9.24% K_2O and significant exploration potential with an accelerated development pathway targeting a low capex, high margin mine. Khemisset is perfectly located to capitalise on the expected growth of African fertiliser consumption whilst also being located on the doorstep of European markets. This unique positioning means the Project will receive a premium netback price compared to existing potash producers. The need to feed the world's rapidly increasing population is driving demand for potash and Emmerson is well placed to benefit from the opportunities this presents.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014.