30 April 2019

Sirius Minerals Plc

Preliminary results announcement for the year ended 31 December 2018

Sirius Minerals Plc ("Sirius" or the "Company") announces its preliminary results for the year ended 31 December 2018.

Chris Fraser, Managing Director and CEO of Sirius, commented:

"It has been another year of exceptional progress for the business as we continue to increase our customer base around the world and develop the Woodsmith Mine and its associated infrastructure.

The ongoing development of our world class project will see Sirius become a major global producer of our multi-nutrient fertilizer product POLY4 and the launch of our stage two financing transaction today sets the pathway for delivering our polyhalite Project.

Business Highlights

Construction and procurement

- Procurement completed for the major construction packages which was a significant achievement for the Company
- Multiple construction milestones achieved
- Service shaft foreshaft excavation near complete at year end and production shaft foreshaft excavation commenced
- Vertical sinking machine ("VSM") launched to construct the mineral transport system access shaft
- VSM activities progressing smoothly
- Mineral transport system tunnelling commenced and excavated to a distance of 100m at the time of writing
- Earthworks underway at the materials handing facility

Sales and marketing

- Binding take-or-pay supply agreements signed for the distribution of POLY4 into China, Africa, Brazil and 12 other South American countries
- Total peak aggregate take-or-pay supply agreements increased to 8.2 Mtpa in the year, and to 10.7 Mtpa post period end, materially exceeding 2018 targeted level of 6-7 Mtpa, with contracts signed in several key new target markets
- Fortune 500 US-based agri-business Archer Daniels Midland confirmed as North American POLY4 off-take partner with a supply agreement for volumes of POLY4 increasing to 1.5 Mtpa
- Global agronomy programme expanded by 110 new trials in 2018, in excess of 2018 target
- Overall programme encompassing 382 trials on 42 crops in 28 different countries at the end of 2018

- Trial results continue to demonstrate that POLY4 increases yields compared to existing fertilizer practices in a range of conditions

Corporate and commercial

- Successful drawdown of US$250 million royalty investment from Hancock British Holdings Ltd
- US$50 million equity component of Hancock royalty investment aligned with Stage 2 financing commitments
- Acquisition of a 30 per cent. equity interest in each of the Cibra Group Companies, linked to the 2.5 Mtpa binding supply agreement with Cibra for resale of POLY4 into Brazil and certain other South American countries, providing access to strategically important fertilizer markets
- A good level of participation in tender process lead to a successful convertible bond conversion to release escrowed cash and to optimise the Company's capital structure

Financial Highlights

- £391m deployed in the year for the purposes of developing the Project
- Total funds at the end of December 2018 were £290.4m, comprising unrestricted cash and cash equivalents of £230.1m and restricted cash of £60.3m
- Total loss of £12.5m compared to a loss of £78.9m in the prior year. The main driver of the loss is the fair value re-measurement of the derivatives associated with the convertible loans

Safety

- Safety of our workforce is our number one priority on site, and we are committed to promoting the highest standards of safety in our Company. The Project's Lost Time Injury Frequency Rate (LTIFR) at 31 December 2018 was 3.54. We work collaboratively with our contractors to create a one-team approach to health and safety and significant effort is being made to promote a strong health and safety culture across our business.

Post-balance sheet events

- Major European supply and distribution agreement with BayWa AG signed on 25 April 2019 for guaranteed minimum volumes of POLY4 ramping up to 2.5Mtpa in year five.

- Aggregate peak contracted sales volumes increase as a result of the BayWa AG agreement to 10.7 Mtpa

Stage 2 financing

- The Company will today launch an underwritten Firm Placing and Placing and Open Offer and Convertible Bond Offering as well as announce an update to its Stage 2 Financing, under which it intends to raise approximately US$3.8 billion to fully fund the Project to the point at which it generates positive operating cash flows.

Outlook for 2019

2018 was a year of significant construction progress and material expansion in the Company's global distribution footprint for POLY4 through its growing number of binding take-or-pay supply agreements. 2019 is a critical year for the Company as we work towards securing the financing of our Project through to the extraction of first polyhalite from the Woodsmith Mine by end 2021, and delivering transformative economic benefits to the region and the UK.

2019 Milestones

Construction

- Complete construction of the main shafts foreshafts to enable the commencement of excavation of the main shafts using shaft-boring roadheaders
- Commence mechanical tunnelling of drive 1 of the MTS and advance tunnel excavation to 3km
- Complete early works and commence civil works for the MHF
- Finalize commercial approach to Port facilities

R&D, Sales & Marketing

- Continue to expand our global agronomy programme in conjunction with distribution partners
- Expand our global distribution footprint into incremental key markets

Corporate and commercial

- Achieve financial close on all components of the stage 2 financing plan

Annual report and accounts

The annual report and accounts for the year ended 31 December 2018 (the "Annual Report") will be published on the Company's website (Siriusminerals.com) and posted to shareholders in due course.

The Company's 2019 Annual General Meeting will be held at 1.00pm on Thursday 13 June 2019 at The Events Centre, The Principal York, Station Road, York, YO24 1AA.

For further information, please contact:

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About Sirius Minerals Plc

Sirius Minerals Plc is focused on the development of the Woodsmith Mine, which will access the world's largest and highest grade polyhalite deposit located in North Yorkshire, United Kingdom. Polyhalite is a unique multi-nutrient fertilizer, which can be used to increase balanced fertilization around the world. Sirius Minerals' shares are traded on the Premium List of the London Stock Exchange. Its shares are also traded in the United States on the OTCQX through a sponsored ADR facility. Further information on the Company can be found at: www.siriusminerals.com.

Chairman's Statement

Dear Shareholders,

It is with great pleasure that I introduce Sirius Minerals' 2018 Financial Results. 2018 has been a year of significant progress for Sirius. The transformation of our development sites and the rate at which construction has advanced is impressive and is testament to the hard work and commitment of our employees and partners. More than 900 people are now employed on the Project, demonstrating the transformational potential for jobs and growth that the Project provides to the local area.

Strong construction performance has been mirrored by further success in the sales and marketing of POLY4. Our aggregate peak contracted supply agreements for POLY4 now stands at 10.7 Mtpa. To have established long-term, trusted relationships with some of the world's leading fertilizer blending and distribution companies truly validates the market potential of our unique POLY4 product.

A responsible approach to creating value

Responsibility to the environment and the social and economic sustainability of the communities in which we operate is one of our core values. Our approach is built on the belief that the Company's success goes hand in hand with the economic, social and environmental sustainability of the communities in which we work.

Environment

Facilitating the transition to a more sustainable agricultural sector is a key focus for Sirius. Over the next 35 years more food needs to be produced than has been produced to date in human history. In order to feed the planet's growing population there is a global need to adopt sustainable farming practices that boost crop yields whilst using less land and mitigating environmental impact. Through the large-scale supply of POLY4, Sirius will make a significant and sustainable contribution to global food security and we are already working with a range of stakeholders to promote better agricultural practices across the world. Sirius has made a long-term commitment to farmer education with the foundation of this effort being our ongoing research and development programme. The guidance and recommendations we provide to farmers, supported by our crop trials, can improve productivity and efficiency for farmers, which in turn can help to increase food production and profitability, and enhance sustainability.

During 2018, we initiated a total of 110 new trials across 21 countries and 32 crops. Our trials continue to demonstrate, in line with previous trials, that POLY4 increases crop yields and quality compared to existing fertilizer practice in a range of conditions. Our trials also demonstrate that POLY4 can provide a number of environmental benefits, such as improved soil conditions, greenhouse gas emission reductions and sustainable intensification (higher yield from a lower land use).

Our sustainable credentials are further demonstrated by POLY4's CO_2 emissions in production, which are expected to be low compared to other fertilizer products. Moreover, our minimal, non-chemical processing methods are expected to have a lower environmental impact than many other multi-nutrient fertilizer production methods. Our research continues to show that POLY4 has the potential to make a significant impact in the future of global food security and can achieve this with a significantly lower environmental impact than many other fertilizers used today.

Communities

By maintaining a high level of engagement with our local communities, we aim to maintain confidence in the positive and active contribution we make to the local area. We believe our success should be shared with the local communities in which we operate and we have committed to provide significant funding for environmental schemes within the local area via our S106 agreement with the North York Moors National Park (NYMNP) authority and the surrounding borough councils. Over the next 40 years we expect to contribute approximately £100 million to the local area.

On a national scale, a recent independent study estimated that the Project will make a direct contribution to GDP of over £2.3 billion every year at full production. This is the equivalent of permanently adding up to 17 per cent. to the economic output of North Yorkshire.

People

We require a skilled and engaged workforce to deliver our ambitious growth plans. In 2018 the Group focused on activities to inform, engage and empower the wider Project team, including the construction workforce, to help create a sense of personal responsibility for the part they play in the team's collective success.

Through our focussed efforts, we have successfully sourced approximately two-thirds of our total workforce from the local area. We are very proud of this achievement. At full production, we expect 1,000 high-skilled jobs to be created, with an additional 1,500 in the supply chain. We expect 1,700 jobs to be created at peak construction. Our long-term target is source 80 per cent. of our direct workforce from the local area.

Over everything else, we prioritise the safety of our workforce. As the workforce has grown throughout 2018, the Group has continued to invest in activities designed to strengthen the Company's culture and focus on keeping our people safe.

Positioning for the future

Our strategy now is to focus on financing the construction of our world-class asset in order to deliver value to shareholders. As we move through this critical phase in our Company development, I would like to take this opportunity to thank all of our employees and partners for their ongoing contribution towards delivering on our strategy; to build our world-class, long-life, low-cost production facility and to build a successful market for POLY4.

Thank you for your continued support.

Russell Scrimshaw

Chairman

Chief Executive Officer Statement

Dear Shareholders,

The past year has been one of significant construction progress. Your Company's Project sites have been transformed by the construction activities taking place at the Woodsmith Mine site, Lockwood Beck and Wilton, and it is with great pride that we see the design work that formed the basis of our planning approvals being constructed at pace.

A number of significant milestones were achieved in the year, including the completion of procurement of the Project's major construction packages. We have chosen some of the world's leading construction experts as our contractors and we look forward to continuing our partnerships to deliver our world-class Project. In addition to our procurement success, we have also materially exceeded our targeted level of POLY4 supply agreements. The total peak aggregate volume of POLY4 under supply agreements now stands at an impressive 10.7 Mtpa and work continues to expand this further.

Health and safety

Safety of our workforce is our number one priority on site, and we are committed to promoting the highest standards of safety in our Group. The Project's lost time injury frequency rate (LTIFR) for 2018 stood at 3.54 and during 2018, five incidents were reported. Rigorous investigations have been carried out and changes to working practices have been implemented across all sites as a result. We work collaboratively with our contractors to create a one-team approach to health and safety and significant effort is being made to promote a strong health and safety culture across our business.

Construction

Shaft-sinking activities

A key construction milestone in 2018 has been the successful commencement of shaft-sinking activities. At the Woodsmith Mine site, efforts are focused on the safe and efficient excavation of the two deep vertical mine shafts (the service shaft and production shaft) and the MTS access shaft. The service shaft foreshaft is now complete and the excavation of the production shaft foreshaft is underway. The Vertical Sinking Machine ("VSM") being used to construct the MTS access shaft was launched in October 2018 and construction has progressed well. At the time of writing, the MTS shaft has reached a depth of over 100m.

Mineral transport system

Progress on our MTS tunnel has been impressive. During the year the MTS launch portal was completed, and official excavation commenced. At the time of writing, our tunnel has been excavated to 100m and we look forward to the commencement of mechanical tunnelling following delivery of our first tunnel boring machine ("TBM") in early 2019.

Materials handling facility

In parallel to the establishment of the MTS portal, early works to establish the materials handling facility ("MHF") construction site have been ongoing at our Wilton site. The MHF site is now prepared and ready for civil works, associated with the construction, to commence.

Procurement

Through our procurement process, we have established strong partnerships with world-leading construction companies to help deliver our Project. The calibre of our contractors, their technical expertise and wealth of industry experience will ensure the Project we are building will be a world-class production facility capable of sustaining the long-term operations at our mine. DMC Mining Services ("DMC"), our chosen contractor for the construction of the four Project shafts, have extensive and proven shaft sinking experience across the world. DMC is one of North America's premier underground contractors and is a world leader in shaft sinking activities. With one of the lowest incident and accident frequency rates in the industry, DMC has been called upon by many leading mining companies to fill critical roles. Our MTS contractor, STRABAG, is a global leader in tunnelling technologies. Tunnelling requires tremendous skills and extensive experience from all the people involved. STRABAG is a specialist in providing technically optimized end-to-end tunnelling solutions worldwide and we are delighted to be partnering with this world-leading tunnelling contractor.

Our philosophy is one of continuous optimisation, as we look for opportunities to reduce construction risk and maximise shareholder value. Our port strategy is one such example of this. During the year we signed an agreement with Redcar Bulk Terminal ("RBT") which will enable us to export up to 10 Mtpa of our POLY4 product using existing under-utilised local port infrastructure at Teesside. The agreement reduces construction risk for Sirius and provides benefits to an exiting established business in Teesside. Our adjacent Bran Sands site is some of the last undeveloped river frontage in the UK capable of handling Cape Size vessels and, like the RBT berth, is only 37km from the Woodsmith Mine site. Ownership of the Bran Sands land has ensured we have room to grow our export capability beyond 10 Mtpa in the future. We took the decision to move the product storage facility from the MHF site to the port following an agreement to lease land from RBT, adjacent to the RBT port. This will result in a greater loading efficiency capability, maximising the potential of the out-loading and ship-loading facility we are constructing at the RBT.

Outlook

The construction and sales and marketing progress made in 2018 is truly impressive and we have made good progress towards our stage 2 financing, including the US$400m equity issuance launched today. Financing the construction of our Project remains critical to our business and critical to delivering value to our shareholders. The coming weeks are a crucial time for the Company as we work towards the successful execution of our financing plan.

Thank you to all of our shareholders and stakeholders for your support and belief in the strength of our Project.

Chris Fraser

CEO

Financial Review

During 2018 the Group made a total loss of £12.5m compared to a loss of £78.9m in 2017. The following table sets out the main drivers of the Group's loss for the year.

£m	**2018**	**2017**
Operating loss	**(24.2)**	**(24.0)**
Net interest income/(expense)	1.0	(0.8)
Fair value gain/(loss) on derivative instruments	9.6	(53.6)
Attributable to convertible loans	*2.1*	*(42.5)*
Attributable to royalty financing	*7.5*	*(11.1)*
Foreign exchange gains/(losses) on net debt	0.1	0.9
Taxation	1.0	0.4
Total loss for the year	**(12.5)**	**(78.9)**

As can be seen from the table, significant volatility arises from the fair value re-measurement of the derivatives associated with the convertible loans and, to a lesser extent, the royalty financing. These derivative liabilities increase in size as the share price of the Company increases. With the share price decreasing by 11 per cent. over 2018 (compared to an increase of more than 20 per cent. in 2017), the derivative liabilities decreased in value, causing the reported fair value gains in the income statement. As the convertible loans are converted and the royalty financing is drawn, these derivative liabilities will be reclassified from liabilities to equity and require no cash settlement by the Group.

The Company has deployed £391m during 2018 for the purposes of developing the Project. The table below breaks out the key items:

£m	**2018**	**2017**
Operating costs	23.6	24.0
Capital expenditure	332.3	118.2
Incurred but unpaid capital expenditure	26.6	19.9
Less: Capital expenditure incurred in prior year	(19.9)	-
Local authorities' security requirements	9.1	35.2
Financing costs	19.5	36.4
Total Project use of funds	**391.2**	**233.7**

Total net capital expenditure incurred for the year was £339.0m with a significant portion of that unpaid as at the balance sheet date. In addition to this, numerous financial commitments for items such as a tunnel boring machine, shaft-boring roadheaders and winding equipment have been made and these items are not reflected in the financial statements. The local authorities' security requirements reflect a combination of providing reinstatement security for construction works and the security requirements of the Section 106 agreement.

Total funds at the end of 2018 were £290.4m, comprising cash and cash equivalents of £230.1m and restricted cash of £60.3m. The following table provides a breakdown of movements during 2018 in total funds, split between available cash (comprising cash and cash equivalents and bank deposits) and restricted cash:

£m	**Available cash**	**Restricted cash**	**Total funds**
On 1 January 2018	394.0	74.5	468.5
Operating costs	(23.6)	-	(23.6)
Capital expenditure (paid only)	(332.3)	-	(332.3)
Local authorities' commitments	(9.1)	9.1	-
Net financing costs	3.4	(19.4)	(16.0)
Redemption of restricted cash	4.6	(4.6)	-
Royalty financing received	190.1	-	190.1
Working capital and other	(2.6)	-	(2.6)
FX revaluation	5.6	0.7	6.3
On 31 December 2018	**230.1**	**60.3**	**290.4**

A number of convertible loan conversion notices were received during the year resulting in 17% of the initial loans being converted. Because of these conversions, 226m shares were issued during the year. 1,221 bonds (61% of the originally issued amount) remain outstanding with an aggregate face value of US$244m.

The consolidated financial statements have been prepared under the going concern assumption. However, the Directors recognise that there are a number of material uncertainties inherent in the Project which may cast significant doubt on the Project's ability to continue as a going concern. The impact of these uncertainties on the Directors' consideration of the going concern assumption is set out in note 1 to the summary financial statements below and is also specifically referred to in our independent auditors' opinion which accompanies the financial statements.

2019 will be another transformational year for Sirius as construction advances and the development of key infrastructure gathers momentum. With so many key components underway simultaneously, our disciplined approach to capital expenditure will be maintained. The successful execution of stage 2 financing, including the US$400m equity issuance launched today, will be a significant milestone as it will secure the balance of the capital funding required to complete construction and will contribute to the ongoing de-risking of our North Yorkshire polyhalite project.

Thank you for your ongoing support.

Thomas Staley

CFO

Summary financial statements for the year ended 31 December 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	**2018** £m	2017 £m
Revenue		**-**	-
Operating costs		**(23.6)**	(24.0)
Loss from equity accounted investments		**(0.6)**	-
Operating loss		**(24.2)**	(24.0)
Net finance income / (costs)	3	**10.7**	(55.3)
Loss before taxation		**(13.5)**	(79.3)
Taxation		**1.0**	0.4
Loss for the year		**(12.5)**	(78.9)
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging movement		**(6.7)**	(0.9)
Other comprehensive expense for the year		**(6.7)**	(0.9)
Total comprehensive loss for the year attributable to the owners of the Company		**(19.2)**	(79.8)
Loss per share:			
Basic (pence)	2	**(0.27)**	(1.82)

Diluted (pence)	2	**(0.41)**	(1.82)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

ASSETS	Note	**2018 £m**	2017 £m
Non-current assets			
Intangible assets	4	**24.8**	14.7
Property, plant and equipment	5	**668.8**	306.6
Investments in associates		**25.6**	-
Restricted cash		**43.7**	54.3
Total non-current assets		**762.9**	375.6
Current assets			
Restricted cash		**16.6**	20.2
Other receivables		**20.8**	7.1
Bank deposits		**-**	158.5
Cash and cash equivalents		**230.1**	235.5
Total current assets		**267.5**	421.3
TOTAL ASSETS		**1,030.4**	796.9
EQUITY AND LIABILITIES			
Equity			
Share capital		**12.0**	11.2
Share premium account		**789.0**	695.3
Share-based payment reserve		**6.5**	6.1
Other reserves		**(5.3)**	0.4
Accumulated losses		**(227.6)**	(207.9)
Total equity		**574.6**	505.1
Non-current liabilities			
Provisions		**5.1**	2.8
Royalty financing	6	**208.5**	-
Total non-current liabilities		**213.6**	2.8
Current liabilities			
Convertible loans		**196.2**	249.3
Derivative financial instrument		**2.5**	10.0
Trade and other payables		**43.5**	29.7
Total current liabilities		**242.2**	289.0
TOTAL LIABILITIES		**455.8**	291.8
TOTAL EQUITY AND LIABILITIES		**1,030.4**	796.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Note	Share capital	Share premium account	Share-based payment reserve	Other reserves	Accumulated losses	Total equity

	£m	£m	£m	£m	£m	£m
At 1 January 2017	10.4	590.7	6.1	1.2	(112.3)	496.1
Loss for the year	-	-	-	-	(78.9)	(78.9)
Other comprehensive expense	-	-	-	(0.9)	-	(0.9)
Transferred to non-current assets	-	-	-	0.1	-	0.1
Transactions with owners:						
Shares issued on conversion of convertible loans	0.8	104.5	-	-	(18.7)	86.6
Share-based payments	-	0.1	-	-	2.0	2.1
At 31 December 2017	11.2	695.3	6.1	0.4	(207.9)	505.1
Loss for the year	**-**	**-**	**-**	**-**	**(12.5)**	**(12.5)**
Other comprehensive expense	**-**	**-**	**-**	**(6.7)**	**-**	**(6.7)**
Transferred to non-current assets	**-**	**-**	**-**	**1.0**	**-**	**1.0**
Transactions with owners:						
Shares issued to acquire investments in associates	**0.3**	**25.9**	**-**	**-**	**-**	**26.2**
Shares issued on conversion of convertible loans	**0.5**	**66.6**	**-**	**-**	**(8.4)**	**58.7**
Share-based payments	**-**	**1.2**	**0.4**	**-**	**1.2**	**2.8**
At 31 December 2018	**12.0**	**789.0**	**6.5**	**(5.3)**	**(227.6)**	**574.6**

The share premium account is used to record the excess proceeds over nominal values on the issue of shares.

The share-based payment reserve is used to record the fair value of share-based payments relating to the Company's shares which are outstanding.

Other reserves comprise the foreign exchange reserve (which arises on translation of foreign operations with a functional currency other than Sterling) of a surplus of £1.2m (31 December 2017: £1.2m) and the cash flow hedge reserve (which accumulates unrecognised gains or losses of instruments in designated cash flow hedge relationships) of a deficit of £6.5m (31 December 2017: £0.8m) .

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	£m	£m
Cash flow from operating activities		
Operating loss	**(24.2)**	(24.0)
Adjustments for:		
Depreciation and amortisation	**0.6**	0.3

Share-based payments	**1.4**	0.8
Loss from equity accounted investments	**0.6**	-
Changes in working capital	**(1.3)**	0.4
Cash used in operating activities	**(22.9)**	(22.5)
Tax credit received	**0.4**	-
Net cash used in operating activities	**(22.5)**	(22.5)
Cash flow from investing activities		
Purchase of intangible assets	**(9.4)**	(6.7)
Purchase of property, plant and equipment	**(322.9)**	(111.5)
Redemption of bank deposits	**180.8**	241.2
Purchase of bank deposits	**(21.8)**	(87.6)
Interest received	**3.4**	3.6
Net cash (used in) / generated from investing activities	**(169.9)**	39.0
Cash flow from financing activities		
Proceeds from royalty financing	**190.1**	-
Purchase of restricted cash	**(9.1)**	(36.4)
Redemption of restricted cash	**24.1**	39.0
Interest paid	**(19.5)**	(33.0)
Proceeds from issue of shares	**0.6**	-
Debt issuance costs	**(4.3)**	-
Share issue costs	**-**	(0.9)
Convertible loans issue costs	**-**	(2.4)
Net cash generated from/(used in) financing activities	**181.9**	(33.7)
Net decrease in cash and cash equivalents	**(10.5)**	(17.2)
Cash and cash equivalents at the beginning of the year	**235.5**	260.1
Gain/(loss) from foreign exchange	**5.1**	(7.4)
Cash and cash equivalents at end of the year	**230.1**	235.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board and endorsed by the EU as at 31 December 2018.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (principally derivatives) stated at fair value through profit or loss. The principal accounting policies set out both below and throughout the subsequent notes have been consistently applied to all periods presented unless otherwise stated. The consolidated financial statements are presented in Sterling (rounded to the nearest million), which is the functional currency of the Company and its principal subsidiaries.

Going concern

These financial statements have been prepared on a going concern basis. The Group continues to incur significant cash outflows due to the development activity that it is undertaking of its polyhalite project in North Yorkshire (the Project).

The stage 1 financing conducted in November 2016 generated sufficient funds to allow the Group to commence construction of the Project. As a result, the Group held total cash and cash equivalents and bank deposits of £230.1m at 31 December 2018 (31 December 2017: £394.0m).

The Group does not currently anticipate generating any positive net cash flows from the Project until 2023. Therefore, its ability to continue as a going concern for the time being is dependent upon it securing sufficient funding from external parties to enable it to complete development of the Project.

The Group is currently working towards obtaining financial commitments that will allow it to complete development of the Project (the stage 2 financing) to a point at which it would be able to generate sufficient cash flows to operate profitably and without need for additional fundraisings. In order to meet the Group's funding needs prior to financial close of stage 2 financing, on 30 April 2019 the Directors approved a plan for the Group to raise US$400 million from the issuance of new ordinary shares in the Company.

The Board of Directors believes that both the US$400 million equity issuance and the stage 2 financing will be successfully completed, however there is a risk that a successful outcome may not be reached. This therefore represents a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The Group's latest cash flow forecasts indicate that, including the receipt of the funds from the equity issuance of US$400 million, it will have sufficient liquidity to continue development of the Project on its current schedule into Q3 of 2019, when proceeds from the stage 2 financing will be required. Should the Group need to continue operating without the stage 2 financing, it would need to curtail discretionary expenditures until further financing was secured but this would significantly threaten the Group's ability to continue as a going concern.

Having assessed the principal risks and having regard for the above, based on the current likelihood of the success of the US$400 million equity issuance and stage 2 financing, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. Therefore, these financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

Segment reporting

IFRS 8 Operating Segments requires information to be disclosed about each business activity and economic environment in which the Group operates. Management has determined the operating segments by considering the business from both a geographic and activity perspective. The Group is currently organised into one business division (the UK segment) which consists of project-related activities and the corporate operations. This division is the segment for which the Group reports information internally to the Board of Directors. The Group's only material non-UK operations are in its investments in associates in South America. The full financial statements provide detailed disclosures over the performance of these investments during the period as well as their carrying value at year-end. These investments in associates are the only non-current assets that the Group holds in any country other than the UK. Therefore, all disclosures required under IFRS 8 are already included elsewhere in the financial statements and so no further segment

New and amended standards adopted by the Group

All accounting policies applied by the Group in the preparation of these financial statements are consistent with those applied and disclosed in the financial statements for the year ended 31

December 2017, other than the Group's accounting policies for financial instruments which have been updated for the impact of IFRS 9, as described below.

The Group adopted the new IFRS standard IFRS 9 Financial Instruments on 1 January 2018 which was its mandatory date for adoption. The standard provides updated principles around the classification and measurement of financial instruments compared to its predecessor IAS 39 Financial Instruments: Recognition and Measurement. The initial adoption of IFRS 9 has not caused any changes in the measurement of any financial instruments recognised by the Group either in the current or comparative period, nor has it impacted the Group's accounting for its unrecognised financial instruments (principally, the US$250 million royalty financing agreement prior to its drawdown during 2018).

IFRS 16 Leases will become mandatory for the Group to adopt from 1 January 2019. IFRS 16 provides new principles around accounting for leases compared to its predecessor, IAS 17 Leases, with which the accounting policies used in the preparation of these financial statements comply. The main change of IFRS 16 compared to the existing IAS 17 will be that future liabilities in respect of operating leases will be recognised on the balance sheet at the inception of a lease, alongside a corresponding right-of-use asset.

This contrasts with the existing treatment of such leases whereby the only liabilities recognised in respect of operating leases are cash amounts outstanding for lease periods up to the balance sheet date which have not yet been paid over to the lessor.

The Group is party to a large volume of lease transactions relating to its ongoing access to mineral deposits around the Project's area of interest. Consistent with IAS 17, the scope of IFRS 16 specifically excludes its application to leases of mineral rights, therefore the adoption of IFRS 16 will have no impact upon the Group's existing accounting policy for these leases. The Group is also party to a number of other operating lease contracts whose accounting will be modified by the transition to IFRS 16. However, the fair value of the liabilities due under these leases is, in aggregate, immaterial to the Group and therefore it is not currently expected that initial adoption of IFRS 16 will materially impact the value of the Group's reported assets or liabilities.

2. LOSS PER SHARE

Basic loss per share is calculated by dividing the total loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by adjusting the total loss for the year to reverse any recognised dilutive gains recognised in the total loss for the year, as well as by adjusting the weighted average number of ordinary shares as if all classes of dilutive potential ordinary shares had been issued at the beginning of the year.

In 2018, the only dilutive potential ordinary shares that existed and were relevant to the calculation of diluted loss per share were in relation to the Hancock US$50 million equity investment derivative. This instrument was anti-dilutive in 2017 therefore there is no difference between basic and diluted loss per share in that year. All other potential ordinary shares that the Group has in issuance are anti-dilutive in both.

	2018	2017

	Loss £m	Weighted average number of shares millions	Loss per share pence	Loss £m	Weighted average number of shares millions	Loss per share pence
Basic loss per share	**(12.5)**	**4,623.3**	**(0.27)**	(78.9)	4,322.9	(1.82)
Add back: effect dilutive potential ordinary shares	**(7.5)**	**200.1**	**(3.75)**	-	-	-
Diluted loss per share	**(20.0)**	**4,823.4**	**(0.41)**	(78.9)	4,322.9	(1.82)

3. NET FINANCE INCOME / (COSTS)

	2018 £m	2017 £m
Interest income	**3.2**	3.8
Interest income capitalised on qualifying assets	**(2.1)**	(1.9)
Interest expense	**(32.2)**	(27.7)
Interest expense capitalised on qualifying assets	**32.1**	25.0
Fair value gain / (loss) on convertible loans embedded derivative	**2.1**	(42.5)
Fair value gain / (loss)on royalty financing derivative	**7.5**	(11.1)
Foreign exchange gains/(losses) on net debt	**0.1**	(0.9)
Total net finance income / (costs)	**10.7**	(55.3)

During January 2017 the Group commenced significant development work at the Project. After this point all interest expense incurred and interest income earned on the temporary investment of borrowings has been capitalised as part of capital works in in progress within property, plant and equipment.

4. INTANGIBLE ASSETS

Year ended 31 December 2018	Exploration costs and rights £m	Goodwill £m	Other intangibles £m	Total £m
Net book value				
At 1 January 2018	**-**	**6.6**	**8.1**	**14.7**
Additions	**-**	**-**	**10.2**	**10.2**
Amortisation for the year	**-**	**-**	**(0.1)**	**(0.1)**
At 31 December 2018	**-**	**6.6**	**18.2**	**24.8**
- cost	**-**	**6.6**	**18.3**	**24.9**
- accumulated amortisation	**-**	**-**	**(0.1)**	**(0.1)**
Year ended 31 December 2017	£m	£m	£m	£m
Net book value				
At 1 January 2017	140.5	6.6	3.1	150.2
Additions	2.2	-	5.0	7.2
Transfers to property, plant and equipment	(142.7)	-	-	(142.7)
At 31 December 2017	-	6.6	8.1	14.7
- cost	-	6.6	8.1	14.7

- accumulated amortisation	-	-	-	-

5. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2018	Freehold land **£m**	Plant and equipment **£m**	Capital works in progress **£m**	Total **£m**
Net book value				
At 1 January 2018	**29.7**	**2.9**	**274.0**	**306.6**
Additions	**-**	**0.1**	**362.9**	**363.0**
Disposals	**(0.3)**	**-**	**-**	**(0.3)**
Depreciation for the year	**-**	**(0.5)**	**-**	**(0.5)**
At 31 December 2018	**29.4**	**2.5**	**636.9**	**668.8**
- cost	**29.4**	**3.7**	**636.9**	**670.0**
- accumulated depreciation	**-**	**(1.2)**	**-**	**(1.2)**

Year ended 31 December 2017	£m	£m	£m	£m
Net book value				
At 1 January 2017	6.1	-	-	6.1
Additions	23.6	3.2	131.3	158.1
Depreciation for the year	-	(0.3)	-	(0.3)
Transfers from intangible assets	-	-	142.7	142.7
At 31 December 2017	29.7	2.9	274.0	306.6
- cost	29.7	3.6	274.0	307.3
- accumulated depreciation	-	(0.7)	-	(0.7)

During January 2017 the Group commenced significant development work at its Project. All exploration costs and rights in relation to the Project previously capitalised by the Group have been transferred from intangible assets to property, plant and equipment from that date since the technical feasibility and commercial viability of the Project had clearly been demonstrated.

6. ROYALTY FINANCING

On 19 September 2018 Hancock British Holdings Limited (Hancock) paid the Group US$250 million in return for future royalty payments amounting to 5% of gross revenues on the first 13 million tonnes of product sold in each calendar year and a further 1% of gross revenues on sales in excess of 13 million tonnes, for the life of the Project.

On receipt of the US$250 million cash, a corresponding host US Dollar-denominated royalty liability of the same amount was recognised in respect of the present value of future royalty payments that the Group expects to pay Hancock over the Project's life. As a US dollar-denominated liability, the host royalty liability will give rise to foreign exchange volatility in respect of foreign exchange fluctuations that arise in each period from translating the underlying liability back into the Company's functional currency of Sterling based on the Sterling / US Dollar exchange rate prevailing at the period-end date compared to the exchange rate at the start of each period.

On the drawdown date the Group designated the host liability as a hedging instrument in a cash flow hedge relationship against the Group's future US Dollar-denominated revenues. Therefore, all foreign exchange gains and losses arising on the host royalty liability will be recognised through the statement of comprehensive income (instead of finance costs within the income statement) and accumulated within the cash flow hedge reserve within equity. Accumulated foreign exchange differences will be recycled out of the cash flow hedge reserve through the income statement in the periods in which the underlying revenue transactions are expected to occur. The value of the host royalty liability has moved in the period as follows:

Value of host royalty liability	**2018** **£m**
Outstanding at 1 January	**-**
Drawdown in the year	**190.1**
Interest charged	**12.0**
Foreign Exchange movements	**6.4**
Outstanding at 31 December	**208.5**

On the drawdown date the Group designated the royalty's embedded derivative as a hedging instrument in a cash flow hedge relationship against the Group's future revenues. This is on the basis that any changes in the value of expected future royalty payments will be inevitably offset by changes in the Group's revenues compared to the original drawdown-date expectation. Therefore, all fair value gains or losses upon re-measurement of the derivative will be recorded through the statement of comprehensive income (instead of finance costs within the income statement) and accumulated within the cash flow hedge reserve within equity. Accumulated fair value differences will be recycled out of the cash flow hedge reserve through the income statement in the same periods as differences between royalty payments anticipated on the drawdown date and royalty payments actually due occur.

On 31 December 2018 the embedded derivative had nil value as there was no difference between the latest expectation of royalty payments due and the expectation that prevailed on the drawdown date.

7. NET CASH

	2018 **£m**	2017 £m
Opening balance on 1 January	**267.6**	386.3
Net (decrease) in cash and cash equivalents	**(10.5)**	(17.2)
Net cash receipts from restricted cash and bank deposits	**(174.0)**	(156.2)
Interest expense on convertible loans	**(20.1)**	(27.7)
Interest paid on convertible loans	**19.5**	33.0
Conversions of convertible loans	**38.0**	51.0
Foreign exchange differences	**(0.7)**	(1.6)
Closing balance on 31 December	**119.8**	267.6

Net cash is defined by the Group as being the total value of cash and cash equivalents, bank deposits and restricted cash, less all interest-bearing debt. Interest-bearing debt includes only the host loan element of the US$400 million convertible loans and not the embedded conversion derivative on the basis that the Group has no obligation to cash-settle the embedded derivative. Interest-bearing debt also excludes the Royalty financing on the basis that obligations to make cash payments against this liability only arise when the Group generates revenues, and that otherwise the Group is not currently contractually liable to make any payments under this arrangement (other than in the event of the Group's insolvency).

8. RELATED PARTY TRANSACTIONS

There have been no material related party transactions in the year ended 31 December 2018 (2017: nil), except for key management compensation. The key management compensation below includes eight (2017: eight) Sirius Minerals Plc Directors and three (2017: three) further executive management employees who are not Sirius Minerals Plc Directors. Key management personnel received the following compensation during the period:

	2018	2017
	£m	£m
Salaries and short-term benefits	**3.4**	4.4
Share-based payments	**0.8**	1.4
Total key management compensation	**4.2**	5.8

Total directors' emoluments and emoluments of the highest paid director, together with full details of directors' remuneration, pensions and benefits in kind are given in the Remuneration Committee Report.

9. SIGNIFICANT ACCOUNTING JUDGEMENTS

In the preparation of these financial statements, the Group's management was required to exercise significant judgement in applying the Group's accounting policies in accounting for the royalty financing commitment prior to its drawdown.

The Group entered into the royalty financing agreement during 2016. Significant judgement was required in determining how the agreement should be accounted for due to the lack of explicit guidance for these types of arrangements under IFRS. Based on the precise contractual terms of the agreement, the Group concluded that the agreement should be accounted for as a financial instrument, to be accounted for in accordance with IFRS 9 (and, previously, IAS 39). Furthermore, the Group concluded that prior to drawdown occurring, the agreement is analogous to a loan commitment and therefore no recognition of it was necessary in the financial statements until drawdown occurred.

There were no further significant judgements that the Group's management was required to make in these financial statements in applying the Group's accounting policies.

10. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these financial statements has required the use of estimates that affect the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The most significant area of estimation uncertainty at the balance sheet date that has a significant risk of resulting in a material adjustment to the carrying amount of assets or liabilities within the next financial year is in the estimation of the fair value of the convertible loans' embedded derivative. In addition, although it is not expected to lead to a material adjustment to the carrying value of assets or liabilities in the next financial year, the estimation of the fair value of the royalty financing embedded derivative will be a significant area of estimation uncertainty in future years once more certainty is gained around the level of future revenues (and consequent royalty payments).

Derivative financial instruments held by the Group do not have observable market prices and so the Group is required to identify appropriate valuation models in calculating these fair values. In making its estimates, priority is given to inputs based on actual market data and transactions, although these valuations nevertheless require some level of subjective assessment and the use of different valuation assumptions could have a significant impact upon the Group's reported financial performance and position. [I have deleted the last sentence of this paragraph as it cross-referenced to the financial statements, which isn't applicable for the RNS]

11. POST BALANCE SHEET EVENTS

On 25 April 2019 the Group entered into a 10-year supply and distribution agreement with BayWa AG covering most of Europe for guaranteed minimum volumes of POLY4 ramping up to 2.5Mtpa in year five of the agreement.

On 30 April 2019 the Company's Directors approved a plan for the Group to raise US$400 million from the issuance of new ordinary shares in the Company.

12. FINANCIAL RISK MANAGEMENT

The main financial risks faced by the Group relate to the availability of funds to meet business needs (liquidity risk) and fluctuations in foreign exchange rates (market risk).

These summary financial statements do not include all financial risk management information; full disclosures will be available in the Group's annual financial statements for the year ended 31 December 2018.

Financial instruments

The carrying value of each class of the Group's financial instruments is detailed below:

31 December 2018	**Designated as cash flow hedges**	**At fair value through profit and loss**	**Financial assets / (liabilities) at amortised cost**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
Restricted cash	**-**	**-**	**60.3**	**60.3**
Cash and cash equivalents	**22.4**	**-**	**207.7**	**230.1**
	22.4	**-**	**268.0**	**290.4**
Financial liabilities				
Provisions	**-**	**-**	**(5.1)**	**(5.1)**
Royalty financing	**(208.5)**	**-**	**-**	**(208.5)**
Convertible loans	**-**	**(25.6)**	**(170.6)**	**(196.2)**
Derivative financial instrument	**-**	**(2.5)**	**-**	**(2.5)**
Trade and other payables	**-**	**-**	**(43.1)**	**(43.1)**

	(208.5)	**(28.1)**	**(218.8)**	**(455.4)**
Net financial assets/(liabilities)	**(186.1)**	**(28.1)**	**49.2**	**(165.0)**

31 December 2017	Designated as cash flow hedges	At fair value through profit and loss	Financial assets / (liabilities) at amortised cost	Total
	£m	£m	£m	£m
Financial assets				
Restricted cash	-	-	74.5	74.5
Bank deposits	39.0	-	119.5	158.5
Cash and cash equivalents	16.4	-	219.1-	235.5
	55.4	-	413.10	468.5
Financial liabilities		-		
Provision			(2.8)	(2.8)
Convertible loans	-	(48.4)	(200.9)	(249.3)
Derivative financial instrument	-	(10.0)	-	(10.0)
Trade and other payables	-	-	(29.4)	(29.4)
	-	(58.4)	(233.1)	(288.7)
Net financial assets/(liabilities)	55.4	(58.4)	180.0	177.0

Financial instruments measured at fair value are grouped into one of three levels as set out by IFRS 13 Fair Value based on the lowest level input that is significant to the fair value measurement. These levels are as follows:

Level 1 – Quoted prices (unadjusted) based on active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices);

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The only assets or liabilities that the Group has which measured at fair value are the derivatives associated with the convertible loans and the royalty financing.

Convertible loans' embedded derivative

This has been assessed as being a level 2 financial instrument. In order to estimate the fair value of the convertible loans' embedded derivative at any point in time, the Group estimates the fair value of the cash flows due under the host loan at an assumed discount rate that would likely apply to any debt issued by the Group which was not convertible and subtracting this from the market value of the convertible loans (based on the quoted trading price) at the measurement date. In estimating this assumed discount rate, the Group considers publicly quoted bond yield data of comparable entities with similar credit profiles and their prevailing bond yields at the measurement date.

Hancock equity investment derivative liability

This has been assessed as being a level 2 financial instrument. The fair value of the Hancock equity investment derivative is estimated as the net present value of the difference between the USD 50 million receivable (in Sterling terms, based on the forward exchange rate estimated for the drawdown date) and the 200 million shares to be issued on the royalty drawdown date (whose value is based on the Group's share price at the measurement date).

Royalty financing embedded derivative

This has been assessed as being a level 3 financial instrument. The fair value of the derivative is based on the latest projections of expected royalty payments, (which is dependent upon expectations over the Project's future revenues) compared to the equivalent expectation which prevailed at the drawdown date.

The carrying value of all the Group's financial assets and liabilities is equivalent to their fair value except for the convertible loans and royalty financing (where the host elements are measured at amortised cost). The fair value of the convertible loans at 31 December 2018 was £208.8 million (2017: £286.5 million) compared to the stated carrying value of £196.2 million (2017: £249.3 million). The traded market price of the Group's convertible loan at 31 December 2018 was 108.9 (2017: 124.5). The fair value of the royalty financing at 31 December 2018 based upon discounting it at an annual rate of 10% (which is normal for development projects of the type being undertaken by the Group) was £981.8 million compared to its stated carrying value of £208.5 million.

IDENTIFYING AND MANAGING RISKS

The Group's strategy exposes it to various risks. The Board is responsible for determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives. The Board has an ongoing process for identifying, evaluating and managing the principal risks faced by the Group.

The Board has performed a robust assessment of the principal risks facing the Group, taking into account those that would threaten its business model, future performance, solvency or liquidity, as well as the Group's strategic objectives. In addition, the Board considered how risks evolve and potential emerging risks. The most significant risks arising from this assessment, including details of their management and mitigation, are set out in the Annual Report.

The Group has a system of internal controls which is designed to manage and mitigate these risks and which the Board is responsible for. This system is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting as issued by the Financial Reporting Council, and its key features include:

- a defined organisational structure with appropriate delegation of authority and clearly defined lines of reporting and responsibility, whereby the incurring of expenditure and assumption of contractual commitments can only be approved by specified individuals and within pre-defined limits;
- formal authorisation procedures for all banking transactions, expenditure and investment decisions;
- a comprehensive system for budgeting and planning whereby periodic budgets are prepared and approved by the Board and subsequently monitored with variances reported to the Board at regular Board meetings; and

- regular and comprehensive information provided to the Board from the Group's senior management team, covering financial performance and key performance indicators, including non-financial measures.

The Group's system of internal controls (including each of those set out on the left) have been in place for the year under review and up to the date of the approval of this Annual Report. This system is regularly reviewed by the Board and a review of the effectiveness of all material controls was carried out during the year. This effectiveness review considered the design of controls associated with key risks and the evidence as to their proper operation throughout the year. No significant failings or weaknesses were uncovered in the course of this annual review.

Brexit

Within the summary of principal risks disclosed in the Annual Report, the Group has not identified Brexit as a discrete principal risk. In the event of a no-deal Brexit, which would lead to the UK trading with other countries on World Trade Organization (WTO) terms, it is the Group's expectation (based on existing WTO terms) that for a significant majority of its export markets, no tariffs would apply. For those export markets that would attract tariffs under WTO terms (including the EU), the level of tariffs that POLY4 is subject to would not be significant, nor is it expected that any significant non-tariff barriers would apply to the product's export.

The principal impact of a no-deal Brexit upon the Group would be the indirect impact upon financial markets, where the uncertainty that a no-deal Brexit could bring may impact the ease and terms which the Group is able to access in relation to its securement of the stage 2 financing. This risk event is covered within the scope of existing liquidity principal risk, meaning that Brexit has not merited identification as a discrete additional principal risk.

STRATEGIC RISKS

PROJECT DEVELOPMENT

Owner: Chief Development Officer

2018 movement: No change – This risk remained static during 2018 as there was no meaningful change in the Group's Project design plan over the course of the year.

Risk appetite: Moderate – In its development of the Project, the Group plans to deliver the required Project infrastructure in a time-efficient, cost-effective manner with a preference for proven and robust development methodologies.

Nature	Mitigation
The Group's ability to generate returns for shareholders is dependent on it being able to deliver operational and economically viable mine infrastructure facilities to exploit the Project's identified resource. A failure to complete successful construction of the necessary facilities would threaten the Group's ability to operate.	The mining, processing and infrastructure challenges of the Project are inherent in a mining and infrastructure project of this size and are not of an extraordinary level or nature. Site investigation work through a programme of seismic survey and investigative boreholes continues as part of the Project. As engineering progresses, this risk naturally reduces. Development risks are assessed, evaluated and reduced as far as reasonably possible as part of the Project management function performed by our experienced team.

FINANCIAL RISKS

LIQUIDITY

Owner: Finance Director and CFO

2018 movement: Increased – The Group will be required to secure further financing in the coming months to continue development of the Project whereas at the end of 2017 no imminent additional financings were required due to the liquidity position at that time.

Risk appetite: Moderate – The Group remains vigilant around its ongoing liquidity requirements as the ability to complete the Project's development is wholly dependent upon securing significant additional external funding. However, a key element of the Group's strategy remains executing a financing plan that delivers returns for shareholders, therefore the Group continues to balance its need to secure additional funding against being discerning in its selection of the sources and timing of additional liquidity to maximise returns to shareholders.

Nature	Mitigation
The Group does not currently generate revenues and has historically been reliant on external funding to provide it with the required liquidity to operate and to commence construction activities on the Project. If the Group is not able to obtain sufficient further amounts of funding to allow the Project to reach a point of production where the Group generates positive operating cash flows, then there is a risk that the Group would not be able to continue to operate.	We have a strong Board and management team with extensive experience in financing large, multi-billion Dollar projects. We have been successful in raising funds in the recent past, including raising funds in 2016 to commence construction of the Project. During 2018 the Group has commenced significant preparatory work around its stage 2 senior debt financing, which would fund the majority of the remainder of the operating costs and capital expenditure required to finalise the development and construction of the Project and reach a point of production where the Project generates positive operating cash flows. Feedback received from potential lenders during the year around this has been positive so far.

CURRENCY

Owner: Finance Director and CFO

2018 movement: Increased – The Group has signed additional material construction contracts during 2018 with non-US Dollar payment currencies, increasing its level of future currency mismatches.

Risk appetite: Moderate – The Group prefers to mitigate the risk of currency mismatches as far as reasonably practicable through the signing of US Dollar-denominated construction contracts and its ongoing hedging activities. However it does not let this preference overrule commercial considerations around the negotiation of the cost basis of its significant contracts.

Nature	Mitigation
The Group expects its future revenues to be denominated in US Dollars while the majority of its construction and operational costs are expected to be denominated in other currencies (mainly Sterling). A strengthening of non-US Dollar currencies, without offsetting improvement in US Dollar-denominated polyhalite prices, could adversely affect the Project's profitability and Group's financial position.	The Group has mitigated the currency risk in the medium to long term by planning a capital structure where it has raised funds in Sterling and US Dollars to broadly match the anticipated currency split of its expected capital expenditure and operating cost needs. The currency denominations of certain major capital expenditure contracts will not be finalised until subsequent to the completion of the Group's stage 2 financing. The Group monitors its exposure to currency risk based on the Project expenditure forecast and the stage of development. The Board-approved treasury policy sets out appropriate risk

	tolerances for currency exposure and the Group implements appropriate hedges to ensure that it is compliant with this policy.

EXTERNAL RISKS

PERMITS AND LICENCES

Owner: Chief Development Officer

2018 movement: Reduced – The Group has secured a number of minor non-material licence changes throughout 2018, thus reducing uncertainty compared to the position prevailing at the end of 2017.

Risk appetite: Low – The acquisition and maintenance of all necessary permits and licences is vital to the ability of the Project to progress and so the Group remains extremely active in ensuring that all compliance conditions are, and remain, in place.

Nature	Mitigation
The Project requires a range of permits and licences to allow construction activities as well as future operations to go ahead. The Group currently has in place all material permissions to allow construction of the Project against its original plan. As the Project progresses and the construction plan continues to be refined, this is likely to necessitate changes to existing planning permissions. There is a risk that these approvals will not be forthcoming which could lead to additional costs or delays in construction activities.	The Group is in possession of the planning permissions required to commence the construction of the minehead, mineral transport system, materials handling facility and has also received a development consent order for the construction of the harbour facility. Any changes applied for do not affect these permissions, but instead modify or replace the existing permissions once approved. The Group is pro-active in maintaining effective working relationships with each licensing authority and is responsive to feedback from those bodies around its permit applications. The Group engages experienced consultant advisers that specialise in obtaining permits, licences and secondary approvals needed for the Project to operate.

COMPETITORS

Owner: Chief Marketing Officer

2018 movement: No change – There have been no structural changes in the global fertilizer market since 2017 which would change the impact of this risk.

Risk appetite: High – Despite the inherent barriers to entry in the market and the relative novelty of polyhalite as an accepted, high-volume fertilizer, the Group remains extremely confident in its ability to rapidly disrupt the existing market and, accordingly, is targeting (and securing) large multi-year supply agreements with established customers across the world.

Nature	Mitigation
The global fertilizer market that the Group is seeking to compete in contains numerous well-established competitors and high barriers for potential new entrants into the market. A failure to overcome pressure from competitors as well as the inherent market barriers could threaten the Group's abilities to strike deals with potential customers for its products.	The Group continues to develop its sales and marketing strategy to emphasise the unique characteristics of POLY4 and to make front-of-mind in customers our product's unique nature and how we differentiate ourselves from our closest competitors. The Group's global agronomy programme provides an independently validated dataset which demonstrates the efficacy of POLY4 on a wide range of different crops in varying geographic and climatic conditions

	in order to support the Group's marketing efforts.

OPERATIONAL RISKS

SAFETY AND ENVIRONMENTAL PERFORMANCE

Owner: Chief Development Officer

2018 movement: Increased – The breadth and pace of construction activities being undertaken by the Group is now greater than it was at the end of 2017, meaning an inherently increased risk of a safety incident. However the Group has significantly increased the resources of its safety team over the year to mitigate this and keep the risk to an acceptably low level.

Risk appetite: Low – Safety is one of the Group's core values. The Group prioritises safe-working across its activities and this takes precedence over other operational goals. The Group continuously strives to reduce risks that could lead to a safety or environmental incident to as low as reasonably practicable.

Nature	Mitigation
The scale and nature of the construction operations that the Group is undertaking in its development of the Project means there is an inherent risk to the safety of individuals who are carrying out these operations. A significant safety incident during construction operations resulting in injury to workers would impact the Group's licence to operate, affecting the delivery of the Project and the Group's reputation.	The Group continuously assesses the risk to ensure that it has the right people in the right places. Nonetheless, the Group is not complacent about the risks in this area. The Group's management team is set up to manage safety and the environment effectively. A key part of its work in this area is in ensuring that the Group engages contractors who have the right attitude and systems, and it welcomes expertise and improvement from employees, contractors and external parties. Ongoing focus areas include leadership activities, work with contractors (including onboarding processes and auditing), developing the culture of the Project team, and the identification and control of major hazards.

CONSTRUCTION DELAYS

Owner: Chief Development Officer

2018 movement: Increased – The breadth and pace of construction activities being undertaken by the Group is now greater than it was at the end of 2017, meaning an inherently increased risk of delays occurring.

Risk appetite: Moderate – Although the Group takes all reasonable steps possible to minimise the likelihood of delays and to meet its existing Project-development timetable, it nevertheless balances schedule requirements against expected cost impacts to achieve the best overall outcome for the Group, rather than only prioritise the Project's schedule.

Nature	Mitigation
The Group is undertaking extensive construction activities across a range of locations and depths to deliver its Project against a defined timetable. Unforeseen issues could arise which may cause construction delays, risking the Group's ability to meet the Project's existing timetable, as well as potentially meaning that higher construction costs may be incurred as a result of the delays.	Detailed assessment and planning is carried out continuously by the management team and external parties as part of the development to mitigate and de-risk the Project during construction. The Group continues to pursue all acceleration options available to reduce the time required to reach first production. Contractors are incentivised to bring their scopes forward.

CONTRACTORS AND SUPPLIERS

Owner: Chief Development Officer

2018 movement: Increased – The breadth and pace of construction activities being undertaken by the Group is now greater than it was at the end of 2017, meaning an inherently increased risk of performance issues as the number of contractors and suppliers has increased.

Risk appetite: Moderate – The performance of contractors is crucial to the successful delivery of the Project, therefore the Group's construction contracts contain provisions that enable performance to be monitored and driven. However, some risk cannot economically be transferred to contractors on a project of this sort, therefore the Group is forced to accept a level of risk
in this regard which it cannot mitigate away.

Nature	Mitigation
Due to the outsourced nature of most of the construction activities of the Project, the performance of our contractors and suppliers is critical to its success. Performance issues by contractors or a lack of goal-alignment could manifest itself in delays to the construction programme and/or additional construction costs being incurred, or in the future performance of the mine once it becomes operational.	An active and experienced management team is in place with a focus on being clear about expectations, verifying performance, and doing everything possible within the contracts to ensure the success of our contractors and suppliers. Performance is actively monitored and managed, with mitigating change instigated should performance not meet expectations. In working with our contractors, the Group is focused on ensuring that they are operating within their area of specialisation, that their senior management are engaged in our Project, that regular communication and progress updates are maintained and that major construction contractors are incentivised around the success of the Project.

Construction cost overruns

Owner: Chief Development Officer

2018 movement: Reduced – Although the capital estimate published by the Group in September 2018 indicated a capital cost estimate significantly higher than that previously made by the Group in 2016, this new estimate was made on the basis of much more reliable cost information, meaning that the prospective risk of subsequent cost overruns is less than it was at the end of 2017.

Risk appetite: Low – The occurrence of construction cost overruns materially impacts the Project's finances and returns to shareholders. Therefore the Group undertakes all reasonably possible mitigation to minimise the chances of overruns occurring, including changing aspects of the Project's design and construction timetable to offset potential cost overrun pressures.

Nature	Mitigation
The Group plans its financing needs based on a detailed budget of the anticipated construction cost of the Project, which includes a contingency. Unforeseen technical issues or scope changes compared to the budget may occur which could result in additional costs, should the value of total overruns exceed the budgeted contingency.	The Group's management has a strong focus on cost. Much of the Project has now been costed by contractors and suppliers, with many contracts awarded, and this has resulted in a re-estimate of the full Project and more cost certainty. The September 2018 capital estimate includes a provision for escalation, and also includes a significant contingency provision in case of cost pressures. The contingency is based on a detailed assessment of a range of Project risks using Monte Carlo simulations performed by a third-party estimator.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board has assessed the prospects of the Company over a five-year period, taking account of the Company's current position and principal risks.

Time frame

The Board believes that five years is the most appropriate time frame over which the Board should assess the long-term viability of the Company. The Company's current activities do not generate any revenues or positive operating cash flow, and construction of the Project and the development necessary to commence production and generate revenues will require significant capital expenditures. The Project is not expected to generate positive net cash flow until approximately 2023, some five years from now.

Assessing viability

The main assumption in the Board making its viability assessment is that the stage 2 debt financing of up to US$3.6 billion is successfully completed and the Company is able to secure sufficient additional financing prior to the initial drawdown of the stage 2 debt financing.

If these transactions are not successfully concluded the Company may not be able to ensure that the Project will become operational, nor that commercial production will commence on schedule (or at all).

Principal risks

In addition, in making its assessment, the Board has taken into account the principal risks as described in the Annual Report and also the scenario modelling and sensitivity analysis undertaken by the Company and various consultants which has been conducted as part of the development of the Project. The modelling demonstrates profitability over a range of negative assumptions, both individually and in aggregate. The scenarios considered took into account the impacts of:

a Project capital cost overrun;

a delay in Project completion;

lower realised polyhalite sales prices;

lower long-run polyhalite sales volumes;

higher long-run operating costs; and

a reasonable downside scenario taking into account a combination of the above.

Based on the financial impact of the analysis outlined above and the associated risks, management actions and controls that are either in place or could be implemented, the Board has been able to conclude that the Group will be able to deliver the construction of the Project, provided the stage 2 financing is completed, as described.

Confirmation of viability

Taking account of these matters, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2023, assuming that the stage 2 financing referred to above is completed as described.

The Group's going concern statement is detailed in note 1 of the consolidated financial statements.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are set out in the Corporate Governance Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Chris Fraser

Managing Director and CEO

30 April 2019

Thomas Staley

Finance Director and CFO

30 April 2019