17 September 2019

Sirius Minerals Plc

Half year results for the period ended 30 June 2019

Sirius Minerals Plc ("Sirius" or the "Company") today announces the unaudited half year results for Sirius and its subsidiaries (the "Group") for the six-month period ended 30 June 2019.

Business review

- Significant progress made across all construction sites and construction activities to date have progressed in line with 2019 full year guidance
- 10-year supply and distribution agreement with BayWa Agri Supply and Trade B.V. for up to 2.5 Mtpa POLY4 in Europe
- Major 8-year take-or-pay supply agreement with IFFCO for the supply of up to 1 Mtpa POLY4 in India

Financial review

- Operating loss for the period was £14.3m compared to £10.8m in the prior corresponding period, the increase primarily driven by a greater level of corporate and sales and marketing costs linked to the Company's Stage 2 Financing.
- Loss for the financial period of £3.1m compared to a loss of £95.3m for the prior corresponding period, the reduction primarily driven by fair value gains attributable to derivative instruments in comparison to the fair losses incurred on these in the prior period.
- £240m deployed during the period for the purposes of developing the Project.
- Total funds at the end of June 2019 were £713.8m, comprising cash and cash equivalents of £349.0m and restricted cash of £364.8m and has reduced to $180m (£100m uncommitted) as at 31 August 2019.

For further information, please contact:

Sirius Minerals Plc *Investor Relations*	*Jennifer Wyllie, Tristan Pottas* *Email: ir@siriusminerals.com*	*Tel: +44 845 524 0247*
Media enquiries *Edelman*	*Alex Simmons, Ed Brown* Email: Siriusminerals@edelman.com	*Tel: +44 7970 174 353* *Tel: +44 7540 412 298*

About Sirius Minerals Plc

Sirius Minerals Plc is focused on bringing large scale volumes of POLY4 to the global agriculture industry. POLY4 is the Company's trademarked name for its unique multi-nutrient fertilizer to be produced from the world's largest and highest grade polyhalite deposit located in North Yorkshire, United Kingdom, 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.

BUSINESS REVIEW

Safety

The safety of employees and contractors remains a priority for the Group and is paramount to the success of our business. The Project's Lost Time Injury Frequency Rate ("LTIFR") as at 30 June 2019 stands at 2.18 which compares to a LTIFR of 3.54 at 31 December 2018. The LTIFR is a measure of lost time incidents per million man-hours on a twelve-month rolling average basis. The Company works closely with its employees and contractors to continually improve safety at all locations.

Construction progress

Construction has progressed in line with 2019 milestones at each of the Company's construction sites during the period.

Service and production shafts

Service shaft works have progressed in line with schedule during the period. Excavation of the main-shaft has reached its target depth of 118m using conventional excavation techniques. Construction of the main shaft to depths exceeding 118 metres will be excavated using the shaft boring roadheader. The components of the shaft boring roadheader started to arrive at the Woodsmith Mine site in August this year and pre-assembly on surface has commenced.

In the service shaft foreshaft, preparatory works to enable the construction of the shaft boring roadheader headframe, the structure from which the shaft boring roadheader will be suspended during shaft construction, are now substantially complete.

All major components of the permanent winder for the service shaft are now in place. The temporary winders, which connect to the SBR during shaft construction to the mining level, have also progressed in line with schedule.

The excavation of the production shaft foreshaft has progressed faster than expected and is expected to reach its target depth of 45 metres in the coming days. The lessons learned from the excavation of the service shaft foreshaft have seen a significant increase in excavation efficiency in the production shaft. The production shaft differs from the service shaft in that it already has diaphragm walls installed to a depth of 120 metres in the main shaft and because of this excavation can occur at a faster rate than seen in the service shaft. In parallel with excavation of the production shaft, construction of the permanent winder building has progressed on schedule.

Mineral Transport System

MTS Drive 1 – Wilton to Lockwood Beck

MTS drive 1 tunnel construction has advanced ahead of expectations. Our first tunnel boring machine ("TBM") "Stella Rose" has completed 1208 metres of tunnelling and is now over two months ahead of schedule. Stella Rose has now cleared the Wilton International site boundary, has successfully passed under all the neighbouring industrial infrastructure and is driving towards Lockwood Beck with advance rates that are better than expected. The TBM is now averaging 17m per 24 hours (including planned technical stops) and this is being achieved despite the relatively difficult shallow ground that only exists in the first 3,000m of the tunnel. The fastest advance rate achieved to date is 29.5 metres in 24 hours which exceeds our long run average advance rate assumptions for the construction of the MTS tunnel. The average advance rate is expected to increase as we exit the shallow ground and allow the machine to run at higher cutting speeds and with fewer interventions.

MTS Drive 2 – Lockwood Beck towards Woodsmith Mine

At Lockwood Beck, the intermediate access shaft has been successfully excavated and lined to 51 metres. A grouting process has commenced to prepare the ground ahead of commencement of the main shaft sink using the Galloway (the multi-level working platform that will be suspended near the shaft bottom during sinking and raised and lowered as required to allow conventional drill and blast sinking to continue to the final depth of the shaft). The temporary headframe is being erected and construction of the winder house has progressed on schedule.

MTS Drive 3 – Woodsmith Mine towards Lockwood Beck

Following the initial excavation to 115 metres of the MTS access shaft using the Herrenknecht vertical sinking machine (“VSM”), the Galloway has now been installed and is being prepared to begin conventional, drill and blast shaft excavation to the MTS level. To enable conventional shaft sinking operations to commence, the temporary headframe and winder building is being constructed on site and mechanical fit out is underway.

Materials Handling Facility

The mobilisation of Worley, our Materials Handling Facility (MHF) contract partner, has progressed well with offices and welfare facilities being established on site. Worley has completed the optimisation engineering phase of early works and the preparation works are underway ahead of the commencement of piling operations. Long lead procurement orders for certain key component parts of the MHF, including the granulators and dryers have been placed.

Construction of the full R&D demonstration facility at Wilton is well advanced with all key components now being assembled on site. The construction of the plant is expected to be completed in November, when it will be available for the production of demonstration granules.

Port Handling Facility

On 1 September 2019, the Company amended the existing design and build contract for the overland conveyor with PJ Carey Ltd, to include the scope of work for the Company’s port handling facility at Teesside (the “Port Handling Facilities”). The award of the Port Handling Facilities contract to PJ Carey Ltd has the benefit of removing a construction interface between the Port Handling Facilities and the overland conveyor works. The terms of the Port Handing Facilities contract, which is fixed price in nature, remain materially unchanged and in line with the Company’s cost estimates. On 31 August 2019, the Company took the decision to not to commence works under the previous engineering, procurement and construction contract for the development of the Port Handling Facilities, and this contract has now ended.

Sales & marketing

The Company has increased peak aggregate contracted sales volumes to 11.7 million tonnes per annum ("Mtpa") during the period. In April, the Company announced it had signed a major European supply agreement with BayWa Agri Supply and Trade B.V. (“BayWa”), for volumes of POLY4 increasing to 2.5 Mtpa in year 10. BayWa is a leading European integrated agribusiness with an extensive commercial and logistical platform with direct access to the farmgate across Europe. In June, the Company announced it had signed a major take-or-pay supply agreement with Indian Farmers Fertilisers Cooperative Limited (“IFFCO”) for volumes of POLY4 increasing to one million tonnes per annum in year 8. IFFCO is one the largest co-operative societies in the world with access to more than 55 million Indian farmers.

To support the ongoing agronomy programme, the Company initiated 49 new agronomy trials during the period increasing the total number of trials to 430 on 48 crops in 30 different countries.

Stage 2 financing

On the 6 August 2019, the Company announced that it had decided to suspend the proposed offer by its wholly owned subsidiary of $500 million of senior secured notes due 2028, due to prevailing market conditions. The offer was to form part of the Group’s Stage 2 Financing.

The Company has today announced that, as a result of global market conditions, the ongoing uncertainty surrounding Brexit and the political environment in the United Kingdom, the Company and its advisors believe that a senior secured notes offering in compliance with the terms of the revolving credit facility commitment letter provided by JP Morgan Chase Bank N.A., London Branch (“J.P. Morgan”) is now unlikely to be achievable.

The Company has therefore today announced that the scope of construction activities on the project will now be adjusted while the Company undertakes a strategic review of its options.

The Board considers that a reduced pace of development focused on key areas of the project that will ultimately serve to preserve the most value for the project will provide the Company with a period of up to six months to review all available options for the Company to move forward. The Group will need to secure additional external financing in order to allow it to continue operations after 31 March 2020.

Further information can be found in the Company’s ‘Financing and development update’ announcement published today.

FINANCIAL REVIEW

The Group’s operating loss for the period was £14.3m compared to £10.8m in the prior corresponding period. The increased loss was primarily driven by a greater level of corporate and sales and marketing costs incurred by the Group linked to supporting Stage 2 Financing efforts. The Group has historically made a loss which has been largely reflective of the Group's approach to expensing certain types of indirect costs through the development phase and this practice has continued since construction commenced.

During the six-month period ended 30 June 2019 the Group made a total loss of £3.1m compared to a loss of £95.3m for the equivalent six-month period in 2018. The reduction in loss was primarily driven by fair value gains attributable to the Company’s derivative instruments in comparison to the fair losses incurred on these in the prior period. The following table sets out the main drivers of the Group's loss for the period.

All figures in £m	2019 First half (unaudited)	2018 First half (unaudited)	2018 Full year (audited)
Operating Loss	**(14.3)**	**(10.8)**	**(24.2)**
Net interest income	0.3	0.8	1.0
Loss on refinancing of portion of existing convertible loans	(3.8)	-	-
Fair value gain/(loss) on convertible loans embedded derivative	3.9	(69.4)	2.1
Fair value gain/(loss) on royalty financing derivative	12.2	(17.8)	7.5
Foreign exchange (losses)/gains on net debt	(1.4)	0.9	0.1
Taxation	-	1.0	1.0
Loss for the financial period	**(3.1)**	**(95.3)**	**(12.5)**

The main driver of the loss for the financial period is the Company's operating costs which is partially offset by net finance income, driven largely by a fair value gain on the royalty financing derivative linked to the movement in the Company's share price since the end of 2018.

The Group has deployed £240m during the period for the purposes of developing the Project. The table below breaks out the key items:

All figures in £m	2019 First half (unaudited)	2018 First half (unaudited)	2018 Full year (audited)
Operating costs	**13.0**	**10.8**	**23.6**
Capital expenditure	171.8	125.7	332.3
Less: capital expenditure incurred in prior year	(26.6)	(19.9)	(19.9)
Incurred but unpaid capital expenditure	43.8	18.7	26.6
Local authorities' security requirements	0.8	1.1	9.1
Financing costs	37.2	11.4	19.5
Total use of funds	**240.0**	**147.8**	**391.2**

In addition to the capital expenditure deployed in the period, which includes capital expenditure related accruals, numerous financial commitments for ongoing spend and capital procurement with key contractors such as Strabag and DMC and other supplier procurement commitments are not reflected in the financial statements.

Total funds at the end of June 2019 were £713.8m, comprising cash and cash equivalents of £349.0m and restricted cash of £364.8m. The following table provides a breakdown of movements through the period in total funds, split between available cash and restricted cash:

All figures in £m	**Available cash**	**Restricted cash**	**Total funds**
At 1 January 2019	**230.1**	**60.3**	**290.4**
Operating costs	13.0	-	13.0
Capital expenditure (paid only)	171.8	-	171.8

Gross proceeds from $425m equity issuance	327.1	-	327.1
Gross proceeds from $400m convertible loan issuance	-	316.3	316.3
Equity and debt issuance costs	(28.7)	-	(28.7)
Net redemptions of restricted cash	10.7	(10.7)	-
Interest paid	(8.4)	-	(8.4)
Working capital and other	3.0	-	3.0
FX revaluation	-	(1.1)	(1.1)
At 30 June 2019	**349.0**	**364.8**	**713.8**

Total funds holdings are split approximately 50 per cent. GBP, 45 per cent. USD and 5 per cent. EUR.

The condensed interim unaudited 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. The impact of these uncertainties on the directors' consideration of the going concern assumption is set out in note 1 to these financial statements and is also referred to as an emphasis of matter in our independent auditors' review report on the interim financial statements.

PRINCIPAL RISKS AND UNCERTANTIES

The principal risks and uncertainties that could materially affect the Group’s performance are set out on pages 36 to 41 of our 2018 Annual Report. The Group’s view of its principal risks and uncertainties for the remaining six months of the financial year remains substantially unchanged. There may be additional risks unknown to Sirius Minerals Plc and other risks, currently believed to be immaterial, which could turn out to be material. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that these condensed interim unaudited consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Sirius Minerals Plc are listed in the Sirius Minerals Plc Annual Report for 31 December 2018. A list of current directors of Sirius Minerals Plc is maintained on the Sirius Minerals Plc website: www.siriusminerals.com

By order of the Board.

Chris Fraser

Managing Director and CEO

16 September 2019

Thomas Staley

Finance Director and CFO

16 September 2019

INDEPENDENT REVIEW REPORT TO SIRIUS MINERALS Plc

Report on the condensed interim unaudited consolidated financial statements

Our conclusion

We have reviewed Sirius Minerals Plc's condensed interim unaudited consolidated financial statements (the "interim financial statements") in the half year results of Sirius Minerals Plc for the 6 month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, we have considered the adequacy of the disclosure made in note 1 to the interim financial statements concerning the Group's ability to continue as a going concern. In particular, the disclosure in note 1 draws attention to the fact that the Group will need to secure additional external financing in order to allow it to continue operations after 31 March 2020. The Group is involved in efforts to secure long-term financing for the North Yorkshire Polyhalite Project, the timing and outcome of which is uncertain. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;

- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the financial statements.

The interim financial statements included in the half year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half year results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

Leeds

16 September 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2019

	Note	2019 First half (unaudited) £m	2018 First half (unaudited) £m	2018 Full year (audited) £m
Revenue		-	-	-
Operating costs		(13.0)	(10.8)	(23.6)
Loss from equity accounted investments		(1.3)	-	(0.6)
Operating loss		**(14.3)**	**(10.8)**	**(24.2)**
Net finance income/(expense)	3	11.2	(85.5)	10.7
Loss before taxation		**(3.1)**	**(96.3)**	**(13.5)**
Taxation		-	1.0	1.0
Loss for the period		**(3.1)**	**(95.3)**	**(12.5)**
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedging movement		7.1	(0.7)	(6.7)
Other comprehensive income/(expense) for the period		**7.1**	**(0.7)**	**(6.7)**
Total comprehensive income/(loss) for the period attributable to the owners of the Company		**4.0**	**(96.0)**	**(19.2)**
Loss per share:				
Basic (pence)	4	0.06	2.10	0.27
Diluted (pence)	4	0.47	2.10	0.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

ASSETS	Note	30 June 2019 (unaudited) £m	31 December 2018 (audited) £m
Non-current assets			
Intangible assets		27.1	24.8
Property, plant and equipment	5	898.3	668.8
Investments in associates		24.3	25.6
Restricted cash		44.7	43.7
Total non-current assets		**994.4**	**762.9**
Current assets			
Restricted cash		320.1	16.6
Derivative financial instrument		9.7	-
Other receivables		20.1	20.8
Cash and cash equivalents		349.0	230.1
Total current assets		**698.9**	**267.5**
TOTAL ASSETS		**1,693.3**	**1,030.4**

EQUITY AND LIABILITIES			
Equity			
Share capital	6	17.5	12.0
Share premium account		1,096.6	789.0
Share-based payment reserve		7.6	6.5
Other reserves		2.0	(5.3)
Accumulated losses		(230.6)	(227.6)
TOTAL EQUITY		**893.1**	**574.6**
Non-current liabilities			
Provisions		5.1	5.1
Royalty financing		223.1	208.5
Lease liabilities		8.8	-
Total non-current liabilities		**237.0**	**213.6**
Current liabilities			
Convertible loans	7	504.7	196.2
Derivative financial instrument		-	2.5
Trade and other payables		58.5	43.5
Total current liabilities		**563.2**	**242.2**
TOTAL LIABILITIES		**800.2**	**455.8**
TOTAL EQUITY AND LIABILITIES		**1,693.3**	**1,030.4**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2019 (unaudited)

	Share capital	Share premium account	Share-based payments reserve	Other reserves	Accumulated losses	**Total**
	£m	£m	£m	£m	£m	**£m**
At 1 January 2019	12.0	789.0	6.5	(5.3)	(227.6)	**574.6**
Loss for the period	-	-	-	-	(3.1)	**(3.1)**
Other comprehensive income	-	-	-	7.1	-	**7.1**
Transferred to non-current assets	-	-	-	0.2	-	**0.2**
Transactions with owners:						
US$425m equity issuance	5.4	304.5	-	-	-	**309.9**
Shares issued upon conversion of convertible bonds	0.1	3.1	-	-	-	**3.2**
Share-based payments	-	-	1.1	-	0.1	**1.2**
At 30 June 2019	**17.5**	**1,096.6**	**7.6**	**2.0**	**(230.6)**	**893.1**

for the six-month period ended 30 June 2018 (unaudited)

	Share capital	Share premium account	Share-based payments reserve	Other reserves	Accumulated losses	**Total**
	£m	£m	£m	£m	£m	**£m**
At 1 January 2018	11.2	695.3	6.1	0.4	(207.9)	**505.1**
Loss for the period	-	-	-	-	(95.3)	**(95.3)**
Other comprehensive expense	-	-	-	(0.7)	-	**(0.7)**
Transferred to non-current assets	-	-	-	1.0	-	**1.0**
Transactions with owners:						

Shares issued upon conversion of convertible bonds	0.5	66.7	-	-	(8.5)	**58.7**
Shares issued upon exercise of options	-	0.3	(0.1)	-	-	**0.2**
Share-based payments	-	0.3	0.5	-	0.1	**0.9**
At 30 June 2018	**11.7**	**762.6**	**6.5**	**0.7**	**(311.6)**	**469.9**

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 £1.2 million (30 June 2018: surplus of £1.2 million) and the cash flow hedge reserve (which accumulates unrecognised gains or losses of instruments designated in cash flow hedge relationships) of a surplus of £0.8 million (30 June 2018: deficit of £0.5 million).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six-month period ended 30 June 2019

	2019 First half (unaudited) £m	2018 First half (unaudited) £m	2018 Full year (audited) £m
Cash flow from operating activities			
Continuing operations			
Operating loss	(14.3)	(10.8)	(24.2)
Adjustments for:			
Depreciation and amortisation	0.4	0.3	0.6
Share-based payments	0.8	0.6	1.4
Loss from equity accounted investees	1.3	-	0.6
Changes in working capital	0.1	(1.4)	(1.3)
Cash used in continuing operations	**(11.7)**	**(11.3)**	**(22.9)**
Tax credit received	1.0	0.4	0.4
Net cash used in operating activities	**(10.7)**	**(10.9)**	**(22.5)**
Cash flow from investing activities			
Purchase of intangible assets	(2.2)	(2.1)	(9.4)
Purchase of property, plant and equipment	(169.6)	(123.6)	(322.9)
Redemption of bank deposits	-	157.7	180.8
Purchase of bank deposits	-	(21.8)	(21.8)
Interest received	0.8	1.6	3.4
Net cash (used in)/generated from investing activities	**(171.0)**	**11.8**	**(169.9)**
Cash flow from financing activities			
Proceeds from issue of shares	327.1	0.2	0.6
Share issue costs	(16.2)	-	-
Proceeds from royalty financing	-	-	190.1
Proceeds from convertible loans	316.3	-	-
Convertible loan issue costs	(9.0)	-	-

Purchase of restricted cash	(317.1)	(1.1)	(9.1)
Redemption of restricted cash	11.5	15.8	24.1
Interest paid	(8.4)	(11.4)	(19.5)
Debt issuance costs	(3.5)	-	(4.3)
Lease payments	(0.1)	-	-
Net cash generated from financing activities	**300.6**	**3.5**	**181.9**
Net increase/(decrease) in cash and cash equivalents	**118.9**	**4.4**	**(10.5)**
Cash and cash equivalents at the beginning of the period	230.1	235.5	235.5
Gain from foreign exchange	-	1.0	5.1
Cash and cash equivalents at the end of the period	**349.0**	**240.9**	**230.1**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Sirius Minerals Plc (the "Company") is a public limited company incorporated and domiciled in the UK. The address of its registered office is 3rd Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF. The Company is listed on the London Stock Exchange. These condensed interim unaudited consolidated financial statements for the six-month period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

This consolidated interim report was approved by the board of directors for issue on 16 September 2019. The financial information included in this interim financial report for the six months ended 30 June 2019 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 June 2018 is also unaudited. The comparative figures for the year ended 31 December 2018 have been extracted from the Group's financial statements, as filed with the Registrar of Companies, on which the auditors gave an unqualified opinion, but which contained an emphasis of matter paragraph in relation to going concern, and did not make a statement under section 498 of the Companies Act 2006. The Group's operations are not seasonal in nature. These condensed consolidated interim financial statements have been reviewed, not audited.

BASIS OF PREPARATION

This consolidated interim financial report for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting (as adopted by the EU). The report should be read in conjunction with the Group's financial statements for the year ended 31 December 2018, available on the Group's website (www.siriusminerals.com), which were prepared in accordance with IFRSs as adopted by the EU.

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 Group does not currently anticipate generating any positive net cash flows from the Project until at least 2024. 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 financing that will allow it to complete development of the Project to a point at which it would be able to generate sufficient cash flows to operate profitably and without need for additional fundraisings. On 30 April 2019 the Group secured a commitment letter with J.P. Morgan in relation to a US$2.5 billion rolling credit facility (the “RCF”), drawdown of which was subject to a number of conditions precedent being achieved. The most significant of the conditions precedent was the successful issuance of US$500 million of senior secured notes. Satisfaction of the RCF’s conditions precedent would also have given the Group unrestricted access to the proceeds of the US$400m of new convertible loans that were issued in May 2019 which are reported as restricted cash at 30 June 2019.

On 16 September 2019 the Company’s Directors concluded that it was unlikely that it would be possible to complete a successful issuance of the US$500 million of senior secured notes which would satisfy the terms of the RCF commitment letter before its expiry at the end of October and the Company therefore intends to terminate the RCF commitment letter. Accordingly, the Group will be required to repay the proceeds of the US$400 million Escrow loans to loanholders in the coming weeks.

Following the Directors’ decision on 16 September 2019 to reduce the pace of the Project’s development, the Group’s latest cash flow forecasts indicate that it expects to have sufficient liquidity to continue to operate and meet its liabilities as they fall due for at least the next six months. The Group will need to secure additional external financing in order to allow it to continue operations after 31 March 2020.

The Board of Directors believes that additional financing will be secured in the coming months, 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.

Having assessed the principal risks and having regard for the above, based on the current prospects of success of securing additional financing in the coming months, 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.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

All accounting policies applied by the Group in the preparation of these interim financial statements are consistent with those applied and disclosed in the financial statements for the year ended 31 December 2018. On 1 January 2019 IFRS 16 Leases became mandatory for adoption and the Group adopted it on this date. Transition to this accounting standard from the prior equivalent accounting standard, IAS 17 Leases, has not had a material impact upon these financial statements due to the relatively low level of leases which would fall within the scope of IFRS 16 which the Group was party to on 1 January 2019.

2. SEGMENTAL ANALYSIS

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 whose performance is reported on the face of the statement of comprehensive income. 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 these financial statements and so no further segment information requires disclosure.

3. NET FINANCE INCOME/(EXPENSE)

	2019 First half (unaudited) £m	2018 First half (unaudited) £m	2018 Full year (audited) £m
Interest income	0.9	1.6	3.2
Interest income capitalised on qualifying assets	(0.6)	(0.7)	(2.1)
Interest expense	(34.4)	(10.4)	(32.2)
Interest expense capitalised on qualifying assets	34.4	10.3	32.1
Loss on refinancing of portion of existing convertible loans	(3.8)	-	-
Fair value gain/(loss) on convertible loans embedded derivative	3.9	(69.4)	2.1
Fair value gain/(loss) on royalty financing derivative	12.2	(17.8)	7.5
Foreign exchange (losses)/gains on net debt	(1.4)	0.9	0.1
Net finance income/(expense)	**11.2**	**(85.5)**	**10.7**

The interest expense borne by the Group relates to funds borrowed to develop the Project. Accordingly, these costs are capitalised as part of property, plant and equipment, net of all interest income earned on the temporary re-investment of those borrowings prior to their deployment.

4. LOSS PER SHARE

Basic loss per share is calculated by dividing the total profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is calculated by adjusting the total loss for the period to reverse any recognised dilutive gains recognised in the total loss for the period, 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 period.

Due to the volatility in the charges and credits arising from the Group's potentially dilutive financial instruments across the periods presented, the instruments that have been included in the calculation of diluted loss per share have varied based on whether they are dilutive or antidilutive in each given period. In addition to the Hancock US$50 million equity derivative and convertible loans (whose impact in each period includes related FX gains and losses as well as fair value gains and losses), the Group's various employee share awards as detailed in note 13 of the Group's 2018 Annual Report could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive for all periods presented.

	2019 First half (unaudited) £m	2018 First half (unaudited) £m	2018 Full year (audited) £m
Loss for the purposes of basic earnings per share	(3.1)	(95.3)	(12.5)
Less: impact of dilutive Hancock US$50 million equity investment derivative	(12.2)	-	(7.5)
Less: impact of dilutive convertible loans	(13.9)	-	-
Loss for the purpose of diluted earnings per share	(29.2)	(95.3)	(20.0)
Weighted average number of ordinary shares for the purpose of basic earnings per share (number in millions)	5,249.5	4,545.2	4,623.3
Less: impact of dilutive Hancock US$50 million equity investment derivative	200.1	-	200.1
Less: impact of dilutive convertible loans	812.7	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (number in millions)	6,262.3	4,545.2	4,823.4
Basic loss per share (pence)	0.06	2.10	0.27
Diluted loss per share (pence)	0.47	2.10	0.41

5. PROPERTY, PLANT AND EQUIPMENT

Net book value	2019 First half (unaudited) £m	2018 First half (unaudited) £m	2018 Full year (audited) £m
At beginning of period	668.8	306.6	306.6
Additions	231.7	133.0	363.0
Disposals	(1.9)	-	(0.3)
Depreciation	(0.3)	(0.2)	(0.5)
At end of period	**898.3**	**439.4**	**668.8**

At 30 June 2019 the Group had contracted but unrecognised capital expenditure commitments of £76.4 million (31 December 2018: £100.8 million). During the first half of 2019 the Group completed its entry into a 30-year lease for 40 acres of land at Redcar Bulk Terminal next to its Bran Sands port site as had been disclosed within note 22 of the Group's 2018 Annual Report on page 115. The full entry into this lease has led to a right-of-use asset being recognised of £9.3 million as part of the total additions in the period stated above of £231.8 million.

6. SHARE CAPITAL

The Company has only one class of share capital, being ordinary shares with a par value of 0.25p each. Shares included in the table below are all allotted, issued and fully paid up.

	2019 First half (unaudited) Number of shares (millions)	2019 First half (unaudited) Ordinary share capital £m	2018 First half (unaudited) Number of shares (millions)	2018 First half (unaudited) Ordinary share capital £m	2018 Full year (audited) Number of shares (millions)	2018 Full year (audited) Ordinary share capital £m
At beginning of period	4,797.1	12.0	4,463.1	11.2	4,463.1	11.2
Allotted on conversion of convertible loans	17.2	0.1	225.9	0.5	225.9	0.5
Allotted in US$425 million equity issuance	2,180.5	5.4	-	-	-	-
Allotted as consideration for investments in associates	-	-	-	-	95.0	0.3
Allotted in respect of vested share incentives	-	-	2.1	-	3.7	-
Allotted to employee benefit trust	11.5	-	9.4	-	9.4	-
At end of period	**7,006.3**	**17.5**	**4,700.5**	**11.7**	**4,797.1**	**12.0**

On 21 May 2019 the Company received shareholder approval for its US$ 425 million issue of new share capital at a price of 15p per share, with this transaction completing and the Group receiving the gross proceeds of £327.1 million of this issuance on 23 May 2019. Direct issuance costs of £17.2 million were incurred as part of this allotment and have been subtracted from the share premium account.

At the end of each period presented the following number of ordinary shares were contingently issuable depending on the achievement of conditions or exercise of options by the counterparties:

Number of ordinary shares contingently issuable	30 June 2019 (unaudited) millions	30 June 2018 (unaudited) millions	31 December 2018 (audited) millions
Convertible loans	2,503.8	793.9	793.9
Hancock US$50 million equity investment derivative	200.1	200.1	200.1
Employee share awards and options	354.5	137.4	124.8
Total contingently issuable shares	**3,058.4**	**1,131.4**	**1,118.8**

On 28 June 2019 the Group issued exceptional target awards to incentivise employees to achieve commissioning of the Project's mineral transport system ("MTS") materially earlier than planned in the form of nil cost options or conditional shares granted to employees. As set out in the table below, the vesting of the awards is linked to the commissioning of the MTS significantly ahead of schedule. The maximum number of shares that will be awarded under the scheme (and the number included within 'Employee share awards and options' in the table above) is 209.1 million. If the MTS is not commissioned resulting in first commercial ore not being on the conveyor by 31 July 2023 then none of the awards will vest.

Date of MTS commissioning and first commercial ore on conveyor	Percentage of award that will vest
31 December 2022	100%
31 March 2023	70%
31 May 2023	30%
31 July 2023	10%

7. CONVERTIBLE LOANS

On 23 May 2019 the Group issued convertible loans with a principal value of US$ 506.6 million. Proceeds from US$ 400 million of these loans (the "Escrow loans") were immediately transferred to an Escrow account to the benefit of the loanholders where they were to be held until the achievement of the conditions precedent of the RCF. The remaining US$106.6 million of proceeds (the "Non-Escrow convertible loans" were used to repurchase convertible loans with a principal value of the same value from the Group's previously-outstanding tranche of convertible loans that it issued as part of the stage 1 financing in November 2016 (the "2016 loans"). As a result of the issuance of the Non-Escrow loans, as at 30 June 2019 only loans with a principal value of US$137.6 million remain outstanding from the original issuance of US$ 400 million of the 2016 loans (34%).

Both the Escrow loans and Non-Escrow loans have been issued at an annual yield of 10%, comprising an annual cash coupon of 5% of principal value and redemption at maturity (on 23 May 2027) at 160.19% of par value. At any point in time a loanholder may choose to convert their loans into shares in the Company in which case for each US$200,000 loan that they convert they will receive 818,665 newly created ordinary shares in the Company as well as a make-whole payment equal to the value of all coupon payments that they would have received had they held their loans for an additional 3 years. The terms of both the Escrow loans and Non-Escrow loans are the same, other than to the extent that the Non-Escrow loans do not benefit from the same Escrow security in relation to their principal value prior achievement of the conditions precedent of the RCF as was described in relation to the Escrow loans in the previous paragraph.

The conversion features of the loans, as well as their underlying denomination in US Dollars (as opposed to Sterling, which is the functional currency of the Group) has led to the loans being accounted for as host loan instruments with embedded conversion derivatives. This accounting framework is the same as that which the group already applies to its 2016 loans as described more fully in note 16 of the Group's 2018 Annual report on page 112. Subsequent to their issuance, Non-Escrow loans with a principal value of US$ 4.2 million (4% of the original total) had been converted by loanholders by 30 June 2019.

Convertible loans have moved as follows during the 6-month period ended 30 June 2019:

	2016 loans £m	Non-Escrow loans £m	Escrow loans £m	**Total £m**
On 1 January 2019	196.2	-	-	**196.2**
Non-cash issue of Non-Escrow loans	(80.5)	84.3	-	**3.8**
New issuance of Escrow loans	-	-	316.3	**316.3**
Transaction costs incurred on issuance of Escrow loans	-	-	(9.0)	**(9.0)**
Interest charged	8.7	0.9	3.5	**13.1**
Interest paid	(7.9)	(0.5)	-	**(8.4)**
Conversion in period	-	(3.1)	-	**(3.1)**
Fair value re-measurement of embedded derivatives	(16.8)	(1.6)	14.5	**(3.9)**
Foreign exchange differences	1.0	(0.3)	(1.0)	**(0.3)**
On 30 June 2019	**100.7**	**79.7**	**324.3**	**504.7**

As explained in note 1, it is not expected that the conditions precedent to the securement of the RCF will now be achieved therefore the principal value of the Escrow loans will be repaid to loanholders in the coming weeks alongside all interest accrued by the repayment date.

8. NET CASH

	2019 First half (unaudited)	2018 First half (unaudited)	2018 Full year (audited)
	£m	£m	£m
At beginning of period	119.8	267.6	267.6
Net increase/(decrease) in cash and cash equivalents	118.9	4.4	(10.5)
Net cash flows from restricted cash and bank deposits	305.6	(150.6)	(174.0)
Interest expense on convertible loans	(13.1)	(10.4)	(20.1)
Interest paid on convertible loans	8.4	11.4	19.5
Gain on refinancing of principal elements of existing convertible loans	0.1	-	-
Principal element of new convertible loans issued	(271.9)	-	-
Conversions of convertible loan (principal element only)	2.5	37.9	38.0
Foreign exchange differences	(1.1)	0.2	(0.7)
At end of period	**269.2**	**160.5**	**119.8**

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 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).

9. FINANCIAL INSTRUMENTS

30 June 2019 (unaudited)	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	-	-	364.8	**364.8**
Derivative financial instrument	-	9.7	-	**9.7**
Cash and cash equivalents	43.5	-	305.5	**349.0**
	43.5	**9.7**	**670.3**	**723.5**
Financial liabilities				
Provisions	-	-	(5.1)	**(5.1)**
Royalty financing	(223.1)	-	-	**(223.1)**
Convertible loans	-	(60.2)	(444.5)	**(504.7)**
Lease liabilities	-	-	(8.8)	**(8.8)**
Trade and other payables	-	-	(58.1)	**(58.1)**
	(223.1)	**(60.2)**	**(516.5)**	**(799.8)**
Net financial assets/(liabilities)	**(179.6)**	**(50.5)**	**153.8**	**(76.3)**

31 December 2018 (audited)	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)**

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 (i.e. prices) or indirectly (i.e. 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 are 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 loans 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 US$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.

Fair valuation sensitivities

The carrying value of all the Group's financial assets and liabilities is equivalent to their fair value except for the convertible loans. The fair value of the convertible loans at 30 June 2019 was £508.8 million (31 December 2018: £208.8 million) compared to the stated carrying value of £504.7 million (31 December 2018: £196.2 million). The traded market price of the Group's 2016 loans at 30 June 2019 was 91.9 (31 December 2018: 108.9) while the Escrow loans' traded price was 104.8 and Non-Escrow loans' traded price was 97.8.

The inputs used in the fair valuation estimates of these derivatives reflect the Group's exposure to various market risks. Movements in these inputs cause the fair valuation of the derivatives (but not the cash flows, except for the royalty financing embedded derivative) to fluctuate and affect reported net finance costs. Correlated increases in the convertible loans' price and share price would cause an increase in the loss reported from the convertibles loans' embedded derivative and Hancock equity investment derivatives while an increase in the discount rate assumed would cause an increase in the loss reported from the convertible loans' embedded derivative. Increases in expected future revenues (and consequently, royalty payments) compared to the expectation on drawdown date would cause the royalty embedded derivative to become a liability, although would have no impact on total loss as the derivative has been designated in a cash flow hedge relationship. The sensitivity of each of the derivatives' valuation in respect of a 10% change in the most significant input variables is as follows:

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	Impact on total loss £m	Impact on equity £m	Impact on total loss £m	Impact on equity £m
Convertible loans and share price (increase)/decrease	(53.7)/53.7	(53.7)/53.7	(24.9)/24.9	(24.9)/24.9
Discount rate (increase)/decrease	(28.5)/31.1	(29.1)/31.8	(6.6)/6.9	(6.6)/6.9
Estimate of future revenues (increase)/decrease	(-)/-	(22.3)/22.3	(-)/-	(26.5)/26.5

10. RELATED PARTY TRANSACTIONS

The Group has not entered into any related party transactions in the first six months of the year, except for directors' and key management compensation.

11. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

12. EVENTS AFTER THE REPORTING PERIOD

As detailed more fully in note 1, on 16 September the Company's Directors concluded that it was unlikely that the conditions precedent to the securement of the RCF would be satisfied before the

RCF commitment letter expiry at the end of October 2019. The Company therefore intends to terminate the RCF commitment letter which means that the Group is required to repay the proceeds of its US$400 million Escrow loans (see note 7), which will occur in the coming weeks.

Also on 16 September the Group announced that it would be reducing the pace of development of the Project while it completes a strategic review.