

10 December, 2014

Market Update - Zhilyanskoye Potash Project

Kazakhstan Potash Corporation Limited (ASX:KPC) is pleased to release further information from the Feasibility Study on the company's Zhilyanskoye Potash Deposit located in the Aktobe Region of the Republic of Kazakhstan. As previously announced in the September quarterly report (31 October 2014), the company took receipt of the Feasibility Study on the development of the Zhilyanskoye Potash Deposit. The Feasibility Study was completed by China based, chemical engineering consultancy China Bluestar Lehigh Engineering Corporation (Bluestar).

Bluestar is a leading engineering firm with Chinese national Class A qualifications (the premium category in China for design and engineering consultancy) for engineering and design in chemical, petrochemical and the pharmaceutical industries, architectural engineering design, engineering consultation, Engineering Procurement and Construction (EPC), engineering surveying in the building industry, special environmental engineering, environmental impact evaluation and safety assessment. Since its establishment, Bluestar has successfully completed in excess of 230 projects in engineering design and surveying, research, development, EPC, and other related areas. Over 200 of their projects were awarded prizes for "Scientific and Technology progress" and "Excellence in Engineering Survey and Design" at China's state, ministerial and provincial levels. Bluestar participated in the design and engineering work of on a number of potash production projects in Central Asia and Southeast Asia including the Dekhkanabad potash project in Uzbekistan and Sino-Laos potash project in Laos.

KPC is currently in discussion with China's CITIC Construction Co., Ltd (CITICC) with a view to develop a formal relationship by way of strategic cooperation as an EPC partner for the Zhilyanskoye project. CITICC is a wholly-owned subsidiary of CITIC Limited, a Chinese conglomerate with businesses across various sectors. CITIC Limited is ranked 160 of the Fortune Global 500 in 2014. CITICC is a world-renowned engineering company with proven technical strength and deep experience. This experience has been demonstrated in the area of construction of potash mine and production base. Notably, Bluestar and CITICC worked together closely on the Dekhkanabad potash project in Uzbekistan, which Bluestar and CITICC have advised that initially achieved an annual output of 200,000 tonnes of potash fertilisers and is in the process of increasing to 600,000 tonnes total potash fertilisers output per annum. The success of Bluestar and CITICC in Dekhkanabad brings valuable knowledge and experience to KPC's own project at Zhilyanskoye.

The Bluestar feasibility study envisaged extraction of the potash resource by underground mining and hoisting via a vertical shaft. Potash fertilizer contains Potassium, one of the three main nutrient elements of crops. Potash fertilizer production is an important part of chemical fertilizer industry. The ore would be processed on site to produce both Muriate of Potash (MOP) and Sulphate of Potassium-Magnesium (SOPM). MOP is the potash fertilizer with the most extensive application, and SOPM is a newer efficient potash fertilizer, especially used as water soluble complex fertilizer with high nutritional efficiency rate up to 80% with respect to conventional MOP (40%) and SOP (55%). It is envisaged that the products from the Zhilyanskoye project will be considered more favourable in markets like China, Kazakhstan and throughout Southeast Asia.

Following is information provided by Bluestar to KPC and are the views of Bluestar.

Bluestar sees production commencing at an initial production level of 600,000 tonnes MOP from the Sylvanite resource base, completed in 3 years (Phase I), and increasing to 1,200,000 tonnes of MOP per year over an additional three year period (Phase II). It is estimated by Bluestar that the total investment would be approximately US\$640 million generating an estimated annual revenue of US\$237 million with annual gross profit of US\$104 million, delivering a 16.8% return on investment, at current potash prices.

Additionally, Bluestar forecasts production of SOPM fertiliser utilising the polyhalite resource within the deposit. Initial production would be at a rate of 1,200,000 tonnes of SOPM fertiliser per year,

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completed in 3 years (Phase I), which is envisaged to double to 2,400,000 tonnes over a following three year period (Phase II). With total investment as estimated by Bluestar at US\$1.36 billion which is forecast to generate an average annual revenue of US\$784 million with average annual gross profit of US\$495 million, which sees a 36.9% return on investment.

The company is engaging consultants to review the Feasibility Study to determine what, if any additional work is required to bring the report to JORC 2012 compliance so the findings can be released on the ASX.

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