

29 September, 2015

Dear Shareholder,

I am pleased to invite you to attend a General Meeting of Kazakhstan Potash Corporation Limited ACN 143 441 285 (**KPC** or **Company**) to be held at 10:00 am (Melbourne time) on Thursday, 29 October 2015. The General Meeting will be held at the offices of Norton Rose Fulbright Australia, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria 3000.

Please find enclosed a Notice of Meeting, Explanatory Statement and Proxy Form for the General Meeting. The Notice of Meeting (including the Explanatory Statement) sets out the business for the General Meeting. Please take the time to carefully read the whole document.

On 6 May 2015, your Directors announced to ASX that KPC had entered into a Share Subscription Agreement with Hillot Limited (**Hillot**), a wholly-owned subsidiary of Burwill Holdings Limited (**Burwill**), a company listed on the Hong Kong Stock Exchange, under which Hillot agreed to subscribe for 100 million new fully paid ordinary shares in the Company at an issue price of A\$0.20 per share (**First Subscription Shares**).

Burwill is a limited liability company incorporated in Bermuda with over 400 employees and has been listed on the main board of The Stock Exchange of Hong Kong Limited since 1983. Burwill and its subsidiaries have been engaged in international steel trading for over 60 years and their current business operations cover international steel trading, steel processing, mineral resources exploration, commercial property investment and listed securities investments.

On 5 June 2015, your Directors announced to ASX that KPC had entered into a further Share Subscription Agreement with Hillot under which Hillot agreed to subscribe for an additional 30 million new fully paid ordinary shares in the Company at an issue price of A\$0.20 per share (**Second Subscription Shares**). The subscription for the Second Subscription Shares completed on 19 June 2015. The new shares issued to Hillot under that subscription were issued pursuant to the approval provided by Shareholders under ASX Listing Rule 7.1 to issue up to 200 million equity securities in the Company at the Annual General Meeting of the Company held on 29 May 2015. The A\$6 million raised under the subscription for the Second Subscription Shares will be used for working capital purposes of the Company.

On 30 July 2015 and 19 August 2015, your Directors announced to ASX that KPC had agreed to various amendments to the Share Subscription Agreement for the First Subscription Shares which included permitting Hillot to subscribe for the 100 million new shares, the subject of that Share Subscription Agreement in tranches and extending the deadline for completion of that subscription to 31 December 2015.

On 30 July 2015, Hillot completed a subscription for the first tranche of new shares under the Share Subscription Agreement for the First Subscription Shares, comprising 15 million of the 100 million new shares it has agreed to acquire under that Share Subscription Agreement.

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Those new shares were also issued pursuant to the approval provided by Shareholders under ASX Listing Rule 7.1 to issue up to 200 million equity securities in the Company at the Annual General Meeting of the Company mentioned above.

In August, 2015, Hillot acquired from 8 Shareholders, in a series of off-market transfers, an additional 65,660,576 fully paid ordinary shares in the capital of KPC. The total consideration payable for those additional shares was \$13,132,155 which was satisfied by the allotment of Burwill shares to those 8 Shareholders concerned. As a result of that acquisition, Hillot now holds 19.17% of the issued capital of KPC.

By virtue of the 20% limit set out in the Corporations Act 2001 (**Corporations Act**) (which is described in more detail in the accompanying Explanatory Statement), Hillot is precluded from acquiring the balance of the new shares under the Share Subscription Agreement for the First Subscription Shares unless that acquisition is approved by Shareholders in accordance with item 7 of section 611 of the Corporations Act.

Accordingly, at the General Meeting of the Company to be held at 10:00 am (Melbourne time) on Thursday, 29 October 2015, Shareholders will be asked to approve the acquisition of up to the balance of the new shares by Hillot, comprising 85 million new shares in accordance with the requirements of the Corporations Act.

On completion of the acquisition of those new shares, Burwill through its wholly-owned subsidiary will become the largest single Shareholder in the Company.

If you would like to vote on the business outlined in the enclosed Notice of Meeting, you may attend the General Meeting in person or appoint a proxy to vote on your behalf at the General Meeting. If appointing a proxy, the enclosed Proxy Form should be completed and returned to the Company (see Proxy Form for details) as soon as possible and, in any event, no later than 10:00 am (Melbourne time) on Tuesday, 27 October 2015. The Board encourages all Shareholders to direct their proxy how to vote on each item of business at the General Meeting.

If you have any queries in relation to the General Meeting, please contact the company secretary on +61 (3) 9653 9023.

Yours sincerely,



Madame Freada Cheung
Chairperson
Kazakhstan Potash Corporation Limited

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Kazakhstan Potash Corporation Limited

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of Kazakhstan Potash Corporation Limited ACN 143 441 285 will be held at the offices of Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000, on Thursday, 29 October 2015 at 10:00 am (Melbourne time).

The enclosed Explanatory Statement has been prepared to provide Shareholders with an explanation of the business and the Resolution to be proposed and considered at the Meeting.

The Explanatory Statement should be read in conjunction with this Notice of Meeting.

All documents should be read in their entirety. If you are in any doubt about what to do, you should consult your legal, financial or other professional adviser.

Business

Resolution 1: Approval of acquisition of ordinary shares by Hillot Limited

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution** of the Company:

“That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the acquisition of up to 85,000,000 Shares by Hillot Limited, as detailed in the Explanatory Statement accompanying the Notice of this Meeting.”

Voting Exclusion Statement: In accordance with the Corporations Act, the Company will disregard any votes cast in favour of Resolution 1 by Hillot Limited or any of its associates.

Other Business

To consider any other business that may be lawfully brought forward.

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Notes Regarding Proxies and Voting

Voting and determination of voting entitlement

For the purpose of Regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth), the Company has determined, for the purpose of voting entitlements at the Meeting, that Shares in KPC are taken to be held by those Shareholders registered at 7:00 p.m. (Melbourne time) on Tuesday, 27 October 2015. Accordingly, only those persons will be entitled to attend and vote at the Meeting.

Unless a poll is demanded in advance of voting on a Resolution, voting on each Resolution will initially be by way of a show of hands. On a show of hands, each Shareholder present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, will have one vote.

On a poll, every Shareholder present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, will have one vote for each Share held by him, her or it.

Appointing a Proxy

A Shareholder entitled to attend and vote at the Meeting can appoint a proxy to attend and vote at the Meeting on their behalf. A proxy need not be a Shareholder.

Where a Shareholder is entitled to cast 2 or more votes, the Shareholder may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).

For an appointment of a proxy to be effective, an instrument of appointment of a proxy (and any power of attorney or other authority under which it is signed or a certified copy of that power or authority) must be received by the Company, by hand delivery, postage or facsimile using the details set out below, by not less than 48 hours prior to the Meeting. That is, by 10:00 am (Melbourne time) on Tuesday, 27 October 2015.

Address: The Company Secretary
Kazakhstan Potash Corporation Limited
Level 27, 101 Collins Street
Melbourne, Victoria, 3000

Facsimile: +61 (3) 9653 9023

A proxy form accompanies this Notice of Meeting. If you require a second proxy form, please contact the company secretary on +61 (3) 9653 9020.

Corporate Shareholders

Corporate Shareholders wishing to appoint a representative to attend the Meeting on their behalf must provide that person with a properly executed letter confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this Meeting only or for all meetings of KPC.

How undirected proxies held by the Chairperson of the Meeting will be voted

Subject to the Corporations Act, the Chairperson of the Meeting will vote all available and undirected proxies in favour of the Resolution. KPC encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolution concerned.

Glossary

A Glossary of terms used in this Notice of Meeting and Explanatory Statement is contained in the Explanatory Statement. Terms defined in the Glossary also apply to the accompanying proxy form, unless the context requires otherwise.



Mr Marco Marcou
Company Secretary
On behalf of the Board of Directors
Kazakhstan Potash Corporation Limited
29 September, 2015

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EXPLANATORY STATEMENT

This Explanatory Statement has been prepared and is being provided to Shareholders of Kazakhstan Potash Corporation Limited (**KPC** or **Company**) in connection with the business to be considered at the General Meeting of Shareholders to be held at the offices of Norton Rose Fulbright Australia, Level 15, 485 Bourke Street, Melbourne, Victoria 3000, on Thursday, 29 October 2015 at 10:00 am (Melbourne time).

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business and the Resolution to be proposed and considered at the Meeting. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read in conjunction with it.

Your Directors recommend that Shareholders carefully read this Explanatory Statement and accompanying Notice of Meeting in full before making any decision in relation to the Resolution.

If Shareholders are in any doubt about what to do, they should consult their legal, financial or other professional adviser.

Resolution 1: Approval of acquisition of ordinary shares by Hillot Limited

1. Background

- ***Hillot First Share Subscription Agreement***

On 5 May 2015 (and as announced to ASX on 6 May, 2015), KPC entered into a Share Subscription Agreement with Hillot Limited (**Hillot**) under which Hillot agreed to subscribe for 100,000,000 new Shares (**First Subscription Shares**) at an issue price of A\$0.20 per Share (**First Subscription Agreement**).

Hillot is a wholly-owned subsidiary of Burwill Holdings Limited (**Burwill**), a company listed on the Hong Kong Stock Exchange. Please refer to section 3 below for further details in relation to Burwill.

KPC entered into the First Subscription Agreement to raise A\$20 million. The funds to be raised under the First Subscription Agreement will be used to assist in developing its existing projects, moving towards the completion of its proposed acquisition of the Satimola Project and for general working capital purposes.

On execution of the First Subscription Agreement, Hillot paid the Company a deposit of A\$6 million on account of partial payment for the subscription price for the First Subscription Shares.

The issue of the Shares under the First Subscription Agreement to Hillot was conditional upon all requisite shareholder and regulatory approvals being obtained in relation to KPC, Hillot and Burwill including any approval required by virtue of item 7 of section 611 of the Corporations Act.

During July and August 2015, KPC agreed to various amendments to the First Subscription Agreement which included permitting Hillot to subscribe for the First Subscription Shares in tranches and extending the deadline for completion under the First Subscription Agreement to 31 December 2015. Details of these amendments were announced by KPC to ASX on 30 July 2015 and 19 August 2015.

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On 30 July 2015, Hillot completed a subscription for the first tranche of new Shares under the First Subscription Agreement, comprising 15 million of the 100 million new Shares it has agreed to acquire under the First Subscription Agreement. Those new Shares were issued to Hillot pursuant to the approval provided by Shareholders under ASX Listing Rule 7.1 to issue up to 200 million equity securities in the Company at the Annual General Meeting of the Company held on 29 May, 2015.

Resolution 1 requests Shareholders to approve the acquisition of up to 85,000,000 new Shares by Hillot, comprising the balance of the First Subscription Shares (**First Subscription Balance Shares**) by the issue by KPC of those Shares to Hillot at an issue price of A\$0.20 per Share.

- **Hillot Second Share Subscription Agreement**

On 4 June 2015, KPC entered into a second Share Subscription Agreement with Hillot under which Hillot agreed to subscribe for an additional 30,000,000 new Shares (**Second Subscription Shares**) at an issue price of A\$0.20 per Share (**Second Subscription Agreement**).

The Second Subscription Agreement completed on 19 June 2015. The Second Subscription Shares issued to Hillot were issued pursuant to the approval provided by Shareholders under ASX Listing Rule 7.1 to issue up to 200 million equity securities in the Company at the Annual General Meeting of the Company held on 29 May 2015.

The A\$6 million raised under the Second Subscription Agreement will be used for working capital purposes of the Company.

- **Off-market acquisitions of Shares by Hillot**

In August 2015, Hillot acquired from 8 Shareholders 65,660,576 Shares in KPC through a series of off-market transactions. The consideration provided to each of the transferees under the off-market transactions was a nominal price of A\$0.20 per Share which was satisfied by Hillot procuring the issue to each transferee of new shares in Burwill, the sole shareholder of Hillot. Please refer to section 3 below for further details in relation to Burwill.

Details of these off-market transactions, together with the names of the relevant transferees, are included in the *Notice of change of interests of substantial holder* lodged on the ASX Markets Announcement Platform on 31 August 2015.

These off-market acquisitions by Hillot, together with the 15,000,000 Shares issued to Hillot to date under the First Subscription Agreement and the 30,000,000 Shares issued to Hillot under the Second Subscription Agreement, result in Hillot currently holding 110,660,576 Shares in KPC or approximately 19.17% of the issued capital of KPC.

- **Proposed issue of Shares to Goldquest**

As announced to ASX on 18 September 2014, KPC has entered into a new Consulting Services Contract (**Goldquest Services Contract**) with Goldquest Services Inc. (**Goldquest**) under which Goldquest has agreed to provide certain consulting services to KPC in respect of its proposed acquisition of the Satimola Project. The proposed acquisition of the Satimola Project was introduced to KPC by Goldquest and Goldquest was instrumental in securing the Satimola Project for the benefit of KPC and its Shareholders.

The services to be provided by Goldquest under the Goldquest Services Contract include:

- negotiation with shareholders of Satimola;

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- provision of advice in respect of all necessary Kazakhstan approvals to complete KPC's acquisition of the Satimola Project; and
- provision of advice to obtain all necessary variations and extensions in respect of the subsoil rights, the subject of the Satimola Project.

In consideration for providing the services contemplated above, KPC agreed to issue 100,000,000 Shares to Goldquest (**Goldquest Shares**).

The Goldquest Services Contract also recognises the assistance of City Winner Holdings Limited (**CWH**), a company controlled by Madame Cheung, the Managing Director and Chairperson of KPC, in securing the proposed acquisition of the Satimola Project, including the provision by CWH of a loan facility to Satimola to enable Satimola to repay certain creditors and fund working capital requirements pending completion of the proposed acquisition. Relevantly, Goldquest has agreed to direct KPC to issue 25,000,000 of the Goldquest Shares, which would have otherwise have been issued to Goldquest in the form of consulting fees under the Goldquest Services Contract, to CWH.

At a general meeting of the Shareholders of the Company held on 7 January, 2015, Shareholders approved the issue of the 75 million Shares to Goldquest and the 25 million Shares to CWH. Under the terms of a waiver granted by ASX, those Goldquest Shares were required to be issued by 7 July, 2015.

The issue of the Goldquest Shares under the Goldquest Services Contract was, however, subject to KPC completing the acquisition of the Satimola Project. The Company is still in negotiations with the vendors of the Satimola Project in relation to the terms and conditions on which the Company's proposed acquisition of the Satimola Project will proceed. Unless ASX grants a further waiver, the Company proposes to again seek Shareholder approval for the issue of the Goldquest Shares once details of the terms and conditions, including the anticipated completion date, of the Company's proposed acquisition of the Satimola Project become clearer.

However, in the interests of ensuring that Shareholders are provided with complete and accurate disclosure in relation to the potential effect of the proposed acquisition of the First Subscription Balance Shares by Hillot (for which KPC is seeking Shareholder approval under Resolution 1), the Company has included in this Explanatory Statement details of the potential effect of the issue of the First Subscription Balance Shares to Hillot for the following 2 scenarios:

- **Scenario 1:** Assuming that the issue of the 100,000,000 Goldquest Shares does not proceed.
- **Scenario 2:** Assuming that the issue of the 100,000,000 Goldquest Shares proceeds.

2. Resolution 1

Resolution 1 requests Shareholders to approve the acquisition of up to 85,000,000 Shares by Hillot by the issue by the Company of those Shares to Hillot, a wholly-owned subsidiary of Burwill.

Shareholder approval for the acquisition of the First Subscription Balance Shares by Hillot is sought for the purposes of item 7 of section 611 of the Corporations Act, which provides for Shareholders to pass a resolution at a general meeting approving the acquisition of Shares which would otherwise be prohibited by the takeovers prohibitions set out in section 606 of the Corporations Act.

Resolution 1 is proposed as an ordinary resolution and will be passed if more than 50% of the votes cast by Shareholders entitled to vote are in favour of that Resolution.

Shareholders' attention is drawn to the voting exclusion statement set out in the Notice of Meeting.

3. Chapter 6 of the Corporations Act - Australian takeovers laws

- *Prohibition on acquiring an interest in more than 20% of KPC shares*

Section 606 of the Corporations Act provides that a person must not acquire a "relevant interest" in issued voting shares of a listed entity such as KPC where, as a result of that acquisition, that person's or someone else's voting power in the entity increases:

- (1) from 20% or below to more than 20%; or
- (2) from a starting point that is above 20% and below 90%.

KPC currently has 577,342,804 Shares on issue.

As noted above, Hillot currently holds 110,660,576 Shares in KPC or approximately 19.17% of the issued capital of KPC.

In the absence of a relevant exception, the issue of all of the First Subscription Balance Shares to Hillot will give rise to a breach by Hillot of the prohibition in section 606 of the Corporations Act (outlined above).

- *Relevant exceptions to section 606 – Shareholder approved acquisitions*

Section 611 of the Corporations Act sets out a number of exceptions to the prohibition in section 606. Relevantly, item 7 of section 611 provides that an acquisition approved previously by a resolution passed at a general meeting of the company (in which the acquisition is made) is exempt from the prohibition in section 606 (outlined above) provided that:

- (1) no votes are cast in favour of the resolution by the person proposing to make the acquisition and their associates or persons from whom the acquisition is to be made and their associates; and
- (2) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution including the information set out in the following bullet point.

- *Item 7(b) of section 611 – Information required for Shareholder approval*

In accordance with items 7(b)(i) – (v) of section 611 of the Corporations Act, the following information is provided for Shareholders:

- (1) The First Subscription Balance Shares will be issued to Hillot.

Hillot is a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of Burwill.

Burwill is a limited liability company incorporated in Bermuda with over 400 employees and has been listed on the main board of The Stock

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Exchange of Hong Kong Limited since 1983. Burwill and its subsidiaries have been engaged in international steel trading for over 60 years and their current business operations cover international steel trading, steel processing, mineral resources exploration, commercial property investment and listed securities investments. Burwill's principal office is located in Wanchai, Hong Kong.

Burwill's 2 major Shareholders are Chan Shing and his wife, Lau Ting who between them hold approximately 21% of the shares on issue in the capital of Burwill. Chan Shing is the chairman and managing director of Burwill. Lau Ting is a former executive director of Burwill. No other director of Burwill has an interest in the Shares or other securities of KPC (other than through any holding of securities in Burwill).

Burwill reported turnover for the year ended 31 December, 2014 of approximately HK\$6.3 billion (approximately A\$1.2 billion)¹ and a gross profit for 2014 of approximately HK\$167 million (approximately A\$31.7 million)¹. However, due to impairment losses on certain property and intangible assets and the fair value losses on iron ore commodity swap contracts, Burwill recorded a loss of approximately HK\$279 million (approximately A\$53 million)¹ for the year ended 31 December, 2014.

For the half year ended 30 June, 2015, Burwill reported a decrease in turnover of 25.46% to approximately HK\$2,218 million (approximately A\$421.4 million)¹ compared to the same period ended 30 June, 2014. Burwill's gross profit for the half-year decreased by 58.8% to approximately HK \$17 million (approximately A\$ 3.23 million)¹. Burwill recorded a loss attributable to shareholders of approximately HK \$43.66 million (approximately A\$8.3 million)¹.

Further information about Burwill can be obtained from its website at www.burwill.com.

- (2) Hillot currently holds 110,660,576 Shares in KPC or approximately 19.17% of the issued capital of KPC. Hillot does not hold any convertible notes, options or other securities in KPC. As none of Hillot's associates has a relevant interest in any Shares in KPC (other than the Shares held by Hillot) Hillot's percentage holding of Shares in KPC also equates to its voting power in KPC. Its voting power in KPC is therefore 19.17% as at the date of the Notice of Meeting.

At a general meeting of the Company held on 27 June 2012, Shareholders approved the issue of 120 million Shares to Celaric (**Celaric Shares**) in consideration for Celaric providing certain consulting services in connection with the Company's acquisition of the Zhilyanskoe and Chelkar potash projects in Kazakhstan.

In accordance with the terms of the consultancy, Celaric Shares were placed in voluntary escrow and would only be released from escrow upon confirmation that the potash resources at the Chelkar potash project are not less than 1 billion tonnes (or, where the confirmed resources is less than 1 billion tonnes, in proportion to the confirmed resources). As at the date of the Notice of Meeting, confirmation as to the potash resources at

¹ Based on a HK\$:A\$ exchange rate of HK\$1:A\$0.19

the Chelkar potash project has not been received and, accordingly, the Celaric Shares remain in voluntary escrow.

Under the terms of the voluntary escrow, the escrow agent is not permitted to vote the Celaric Shares at any general meeting of the Company. Accordingly, until such time as the Celaric Shares are released from voluntary escrow or the Company and Celaric agree otherwise, Hillot will effectively be entitled to exercise approximately 24.20% of the votes eligible to be cast at any general meeting of the Company.

- (3) As a holder of Shares, Hillot has a relevant interest in all Shares registered in its name². Burwill also has the same relevant interest in Shares in KPC held by Hillot as Burwill controls Hillot³. Chan Shing and Lau Ting whose voting power in Burwill is above 20% also have the same relevant interest in Shares in KPC held by Hillot⁴.
- (4) Following the acquisition by Hillot of all of the First Subscription Balance Shares contemplated by Resolution 1, Hillot's voting power in KPC will increase as follows:
- **If the Goldquest Shares are not issued:** To a maximum of approximately 29.54%, representing a maximum increase of approximately 10.37%. If the votes attached to the Celaric Shares are also disregarded, Hillot will effectively be entitled to exercise approximately 36.08% of the votes eligible to be cast at any general meeting of the Company.
 - **If the Goldquest Shares are issued:** To a maximum of approximately 25.67%, representing a maximum increase of approximately 6.5%. If the votes attached to the Celaric Shares are also disregarded, Hillot will effectively be entitled to exercise approximately 30.46% of the votes eligible to be cast at any general meeting of the Company.
- (5) If additional Shares are issued by KPC prior to the issue of all of the First Subscription Balance Shares (for example, on the exercise of any outstanding options or conversion of any convertible notes on issue), the maximum voting power of Hillot outlined above will be accordingly reduced.
- (6) The maximum voting power of Burwill Group, Chan Shing and Lau Ting in KPC will be the same as Hillot and will also increase to the same extent that the voting power of Hillot increases following the acquisition of all of the Final Subscription Balance Shares by Hillot. None of Burwill Group, Chan Shing and Lau Ting has a relevant interest in any Shares in KPC other than the Shares held by Hillot.
- (7) There are no other associates of Hillot whose voting power would be increased as a result of the acquisition of the First Subscription Balance Shares.
- (8) Further information with respect to Shareholdings in KPC and percentage interests and voting power after completion of the proposed issue of the

² Refer section 608(1)(a) of the Corporations Act.

³ Refer section 608(3)(b) of the Corporations Act.

⁴ Refer section 608(3)(a) of the Corporations Act.

First Subscription Balance Shares is contained in Table 1 of the report of the Independent Expert in Annexure A to this Explanatory Statement. Shareholders are encouraged to read that report in its entirety.

- *Is the proposal fair and reasonable?*

In accordance with ASIC Regulatory Guide 74: *Acquisitions approved by members (RG 74)*, KPC commissioned the Independent Expert to prepare a report as to whether the proposed acquisition by Hillot of the First Subscription Balance Shares is fair and reasonable to Non-Associated Shareholders.

The Independent Expert has assessed the proposed issue of the First Subscription Balance Shares and has concluded that it is **not fair but reasonable** when considered in context of the interests of the Non-Associated Shareholders.

A copy of the report of the Independent Expert is attached to this Explanatory Statement as Annexure A. Shareholders are encouraged to carefully read that report in its entirety.

- *Additional Information*

In accordance with paragraph 74.25 of RG 74, the following information is provided to Shareholders to assist them in determining how to vote on Resolution 1:

- (1) The funds raised by KPC on the issue of the First Subscription Balance Shares will be used primarily for:
 - fulfilling any commitments in relation to the potential acquisition of the Satimola Project, should that acquisition proceed;
 - funding the exploration and drilling being carried out by Batys Kali, a subsidiary of KPC, in relation to the Chelkar deposit in Kazakhstan; and
 - other general working capital purposes.
- (2) The First Subscription Balance Shares will be issued to Hillot on or before 31 December 2015 (or such later date as may be agreed in writing between Hillot and the Company). Such Shares may be issued in one or a number of tranches but the maximum number of Shares issued will not exceed 85,000,000.
- (3) The First Subscription Balance Shares will be issued as fully paid ordinary shares in the Company at an issue price of A\$0.20 per Share. Hillot will pay cash for each First Subscription Balance Share. The First Subscription Balance Shares will, once issued, rank equally with all other Shares on issue in KPC.
- (4) Hillot has confirmed to KPC that its current intention is to remain an equity investor in KPC and to support the current Board and management of KPC.
- (5) Hillot has also confirmed to KPC that it expects KPC to continue its business substantially in its current form and it does not have any current specific intentions to:
 - make any major changes to the business of KPC or to redeploy any of its fixed assets;
 - inject any further capital into KPC;

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- change the future employment of any employees of KPC;
 - transfer assets to or acquire assets from KPC; or
 - significantly change the financial or dividend distribution policies of KPC.
- (6) Madame Cheung, the Managing Director and Chairperson of the Company holds through an entity controlled by her shares in Burwill representing approximately 8.58% of the total number of shares on issue in Burwill. In addition, under the terms of a share subscription agreement, that entity is required to subscribe (or procure a person nominated by it to subscribe) in up to 3 separate tranches for 550 million new shares in the capital of Burwill at an issue price of HK \$0.325 per new share by 3 November, 2015. If the entity itself subscribes for all those new shares, it will hold up to approximately 19% of the issued capital of Burwill (assuming no other shares are issued in Burwill in the meantime). No other director of KPC has an interest in the shares of Burwill.
- (7) On completion of the acquisition of all of the First Subscription Balance Shares, Burwill through its wholly-owned subsidiary will become the largest single Shareholder in KPC (whether or not the Goldquest Shares are issued).
- (8) In order to complete the acquisition of the First Subscription Shares and the Second Subscription Shares, Hillot applied to the Foreign Investment Review Board (**FIRB**) for the Australian Treasurer's approval to acquire up to 19.78% of the issued Shares in KPC under the First Subscription Agreement and the Second Subscription Agreement. Hillot and Burwill are 'foreign persons' for the purpose of the *Foreign Acquisitions and Takeovers Act 1975* (Cth). On 20 July 2015, FIRB confirmed that it had no objections to the acquisition in terms of Australia's foreign investment policy.
- (9) In order to complete the acquisition of the First Subscription Balance Shares, Hillot will need to obtain a further approval from FIRB so as to enable it to increase its shareholding above 19.78%. Hillot intends to apply for FIRB approval to increase its shareholding in KPC.

4. Other relevant ASX Listing Rules and Requirements

ASX Listing Rule 7.1 limits the number of securities that a listed company may issue or agree to issue without shareholder approval in any 12 month period to 15% of its issued ordinary shares, unless an exception applies.

The number of First Subscription Balance Shares (i.e. the 85,000,000 new Shares) to be issued to Hillot will exceed that 15% limit permitted under the ASX Listing Rule 7.1.

Exception 16 in Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue of securities approved for the purposes of item 7 of section 611 of the Corporations Act.

Accordingly, Shareholder approval under ASX Listing Rule 7.1 is not required for the issue of the First Subscription Balance Shares as the issue of those Shares is being approved for the purposes of item 7 of section 611 of the Corporations Act, an exception to ASX Listing Rule 7.1.

5. What will happen if Resolution 1 is not approved?

If Resolution 1 is not approved by Shareholders, the First Subscription Balance Shares will not be issued to Hillot and the First Subscription Agreement between KPC and Hillot will be terminated. In those circumstances, the Board will need to source alternative funding to assist the Company in continuing its objectives.

6. Material information

The Board believes that the Notice of Meeting and this Explanatory Statement including the report of the Independent Expert contain all the information known to Hillot or its associates or known to KPC that is material to a decision of Shareholders on how to vote on Resolution 1.

7. Board's recommendation

For the reasons set out in this Explanatory Statement, the Board (with Madame Cheung abstaining) unanimously recommends that Shareholders vote in favour of Resolution 1 as it will permit the Company to access the necessary funding required to meet its financial commitments in the short term and continue to develop and exploit its existing projects.

Madame Cheung has abstained from making a recommendation in relation to Resolution 1 as she holds through an entity controlled by her shares in Burwill representing approximately 8.58% of the total number of shares on issue in Burwill. By virtue of the share subscription agreement referred to earlier in this Explanatory Statement, that holding may increase by 3 November, 2015 to up to approximately 19% of the issued share capital of Burwill.

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GLOSSARY

In the Notice of Meeting, this Explanatory Statement and accompanying proxy form, the following terms have the following meanings, unless the context requires otherwise:

ASX means ASX Limited ACN 008 624 691, or the financial market operated by it (as the context requires).

ASX Listing Rules or **Listing Rules** means the listing rules of ASX (as amended or waived from time to time in their application to the Company).

Batys Kali means Batys Kali LLP, an entity established in Kazakhstan.

Board means the board of directors of the Company.

Burwill means Burwill Holdings Limited (HKE Code: 24), a limited liability company incorporated in Bermuda.

Burwill Group means Burwill and each of its subsidiaries including Hillot.

Celaric means Celaric Continental Limited, a legal entity established and existing under the laws of Seychelles.

Company or **KPC** means Kazakhstan Potash Corporation Limited ACN 143 441 285 (formerly Fortis Mining Limited) (ASX Code: KPC).

Corporations Act means *Corporations Act 2001* (Cth).

CWH means City Winner Holdings Limited, a limited liability company established in the British Virgin Islands.

Director means a current director of the Company.

Explanatory Statement means the explanatory statement which accompanies, and is incorporated as part of, the Notice of Meeting and includes any document annexed to it or incorporated by reference.

FIRB means the Australian Foreign Investment Review Board.

Goldquest means Goldquest Services Inc. (BVI Company Number 1464580), a limited liability company established in the British Virgin Islands.

Hillot means Hillot Limited Company No 395746, a limited liability company incorporated in Hong Kong, and a wholly-owned subsidiary of Burwill.

Independent Expert means DMR Corporate Pty Ltd ACN 063 564 045.

Kazakhstan means the Republic of Kazakhstan.

Meeting or **General Meeting** means the General Meeting of the Shareholders of the Company to be held on Thursday, 29 October 2015 at 10:00 am (Melbourne time) convened by way of the Notice of Meeting.

Non-Associated Shareholders means all Shareholders other than Hillot and, if they hold Shares in KPC, any associate of Hillot.

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Notice of Meeting means the Notice of General Meeting of the Shareholders of the Company dated 29 September, 2015.

Resolution means a resolution referred to in the Notice of Meeting.

Satimola means Satimola Limited (BVI Company Number 646824), a limited liability company established under the laws of the British Virgin Islands.

Satimola Project means the Satimola potash and borate project in Kazakhstan owned by Satimola through a wholly-owned entity in Kazakhstan.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a person or entity entered in the Company's register of members from time to time as the holder of Shares.

Words importing the singular include the plural and vice versa.

A reference to gender is a reference to all genders.

A reference to a person includes a reference to a body corporate and any other entity.

All references to time is to Melbourne time.

A reference to a document includes a reference to that document as amended or varied from time to time.

Terms or expressions which have a defined meaning the Corporations Act have the same meaning when used in this Explanatory Statement, the Notice of Meeting and accompanying proxy form, unless the context requires otherwise.

Information in this Explanatory Statement about Hillot and Burwill has been obtained from Burwill, its advisers or publicly available information. Except as required by law, KPC does not give any warranty or make any representation as to the accuracy or completeness of that information.

ANNEXURE A: Independent Expert's Report

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28 September 2015

The Directors
Kazakhstan Potash Corporation Limited
C/o MAP Capital Advisors
Level 5, 406 Collins Street
Melbourne, VIC 3000

Dear Sirs,

Re: Independent Expert's Report

1. Introduction

You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report in respect a proposed placement to Hillot Limited ("Hillot"). Hillot is a wholly owned subsidiary of Burwill Holdings Limited ("Burwill"), a company listed on the Main board of The Stock Exchange of Hong Kong Limited.

On 5 May 2015 Kazakhstan Potash Corporation Limited ("KPC" or "the Company") announced to the Australian Securities Exchange ("ASX") that it has entered into a Share Subscription Agreement with Hillot, pursuant to which Hillot was to subscribe for 100 million KPC shares at \$0.20 per share to raise a total of \$20 million. Pursuant to this agreement Hillot paid \$6 million to KPC by way of a deposit, however no shares were issued to Hillot at that point in time.

On 4 June 2015 KPC announced that it has entered into a further Share Subscription agreement with Hillot to raise \$6 million by the placement of 30 million shares at \$0.20 per share.

On 30 July 2015 KPC varied the 5 May 2015 Share Subscription Agreement so that the 100 million shares were to be subscribed by Hillot in a series of tranches by 28 August 2015. In addition to the \$6 million deposit received on 5 May 2015, Hillot agreed to subscribe for 15 million shares at an issue price of \$0.20 per share, raising \$3 million.

On 19 August 2015 KPC announced a further variation of the 5 May 2015 Share Subscription Agreement whereby the completion date was deferred to 31 December 2015.

Hillot lodged a Substantial Shareholder Notice with the ASX on 31 August 2015, showing that it held 110,660,576 KPC shares. As KPC has 577,342,804 shares on issue, this represents 19.17% of KPC's issued shares.

DMR Corporate Pty Ltd
ACN 063 564 045
AFSL No. 222050

Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000 Australia

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Pursuant to the 5 May 2015 Share Subscription Agreement, as amended, Hillot is to subscribe for a further 85 million shares by 31 December 2015 (inclusive of 30 million shares to be issued in respect of the deposit of \$6 million received by KPC from Hillot on 5 May 2015).

Subscription by Hillot for a further 85 million shares would increase its shareholding in KPC to 195,660,576 shares, or 29.54% of the total issued shares, assuming that KPC does not issue any further shares.

As the issue of a further 85 million shares to Hillot will result in an increase in the voting power of Hillot by more than the 3% threshold permitted by Section 611 of the Corporations Act 2001 ("the Act"), the 85 million shares cannot be issued to Hillot without prior shareholder approval.

2. The Proposed Transaction

2.1 Outline of the Proposed Transaction

At the forthcoming General Meeting KPC shareholders are being asked to approve the following resolution:

"approval of the acquisition of up to 85 million shares by Hillot pursuant to item 7 of section 611 of the Act."

We refer to the above resolution as the Proposed Transaction throughout the remainder of this report.

2.2 Impact of the Proposed Transaction

At the date of this report KPC has 577,342,804 shares on issue, however the issued shares include 120,000,000 shares held by Sly & Russell Legal Nominees Pty Ltd, as escrow agent for Celaric Continental Limited ("Celaric"). These shares ("the Celaric Shares") were issued as consideration for the acquisition of the Chelkar Project. The shares will only be released from voluntary escrow upon confirmation that the potash resources at the Chelkar Project are not less than 1 billion tonnes, otherwise the number of shares released will be reduced proportionately. Any shares not released from escrow will be cancelled for nil consideration. The escrow agent has contractually agreed not to vote these shares at a general meeting of the Company.

The above means that whilst KPC has 577,342,804 ordinary shares on issue, effectively there are only 457,342,804 shares that are currently able to vote. For this reason we have assessed the impact of the Proposed Transaction on two bases, namely based on:

- the total number of shares on issue (577,342,804); and
- the total number of shares currently entitled to vote (457,342,804).

The table below sets out the number of shares and the voting share percentage of the Non-Associated Shareholders of KPC excluding the Celaric shares, before and after the Proposed Transaction:

Table 1

Before the Proposed Transaction	Shares on Issue		Voting Shares
	Number	%	%
Celarcic Shares	120,000,000	20.78%	-
Shares held by Hillot	110,660,576	19.17%	24.20%
Shares able to vote held by Non-Associated Shareholders	346,682,228	60.05%	75.80%
Total shares on issue	<u>577,342,804</u>	<u>100.00%</u>	<u>100.00%</u>
After the Proposed Transaction			
Celarcic Shares	120,000,000	18.12%	-
Shares held by Hillot	195,660,576	29.54%	36.08%
Shares able to vote held by Non-Associated Shareholders	346,682,228	52.34%	63.92%
Total shares on issue	<u>662,342,804</u>	<u>100.00%</u>	<u>100.00%</u>

Source: DMR Corporate

As can be seen from the above table, approval of the Proposed Transaction will result in an increase in the number of voting shares held by Hillot from 24.20% to 36.08%.

2.3 Evaluation of the Proposed Transaction

The Directors of KPC have requested DMR Corporate to prepare an independent expert's report in accordance with ASIC Regulatory Guide 111 – Content of expert reports in respect of the Proposed Transaction.

ASIC Regulatory Guide 111 requires the Independent Expert to advise shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders.

A copy of this report will accompany the Notice of Meeting and the Explanatory Statement to be sent by KPC to its shareholders.

3. Summary Opinions

In our opinion, the Proposed Transaction set out in Section 2.1 above is **not fair however it is reasonable** when considered in the context of the interests of the KPC Non-Associated Shareholders.

Our principal reasons for reaching the above opinion are:

Assessment of Fairness

The Non-Associated Shareholders currently control KPC and in Section 7.9 (Table 15) we concluded that the value of the shares held by the Non-Associated Shareholders before the Proposed Transaction (on a control basis) is in a range of \$58.9 million to \$86.7 million, with a preferred value of \$72.8 million.

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In Section 9 (Table 18) we concluded that the value of the shares held by the Non-Associated Shareholders after the Proposed Transaction (on a minority basis) is in a range of \$45.1 million to \$58.9 million, with a preferred value of \$52.0 million.

As the minority value of the shares held by the Non-Associated Shareholders after the Proposed Transaction is less than the control value of their shares before the Proposed Transaction, we have concluded that **the Proposed Transaction is not fair**.

Assessment of Reasonableness

In Section 10 we have analysed a number of other factors that shareholders need to be aware of and we concluded that the Proposed Transaction is **reasonable**.

Our principal reason for this conclusion are KPC's limited cash resources that include the deposit of \$6 million received from Hillot on 5 May 2015. If the Non-Associated Shareholders do not approve the Proposed Transaction the deposit of \$6 million will become refundable to Hillot, leaving KPC at best with very limited resources to meet its other debts as and when these become due and payable. In order to avoid insolvent trading, KPC would be left with little choice but to seek alternate equity funding sources. In Section 7.3 we provided details of the recent trading in KPC's shares and concluded that the KPC shares have a current market value of approximately \$0.12 per share. In our experience new share issues are generally priced at a discount to market. For smaller companies such as KPC this discount generally exceeds 10%. As the Proposed Transaction will result in Hillot being issued shares at \$0.20 per share, we would expect any alternative capital raising to require KPC to issue at least twice the number of shares that will be issued to Hillot to raise the same amount of capital. We therefore believe that any alternative capital raising is likely to be significantly more dilutive to the Non-Associated Shareholders than the Proposed Transaction.

Overall Conclusion

After considering the information available to us in respect of the Proposed Transaction, we consider that **the Proposed Transaction is not fair but is reasonable** when considered in the context of the interests of the KPC Non-Associated Shareholders.

4. Structure of this Report

This report is divided into the following sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	5
6	KPC - Key Information	7
7	Valuation of KPC Before the Proposed Transaction	14
8	Valuation of KPC After the Proposed Transaction	21
9	Assessment as to Fairness	22
10	Other Considerations	23
11	Conclusion as to Fairness and Reasonableness	25
12	Financial Services Guide	25
<u>Appendix</u>		
A	Sources of Information	28
B	Background to the Prior Period Re-Statement of the Financial Statements	29
C	Declarations, Qualifications and Consents	30

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5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001 - Section 611**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a listed company if, as a result of the acquisition, any person increases his or her voting power in the company:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%.

Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

KPC is seeking shareholder approval to issue 85 million fully paid shares to Hillot. Hillot currently holds 110,660,576 shares in KPC, representing 19.17% of KPC's ordinary issued shares but, as a result of the escrow agent agreeing not to vote the Celaric Shares, representing 24.20% of the shares currently entitled to vote. Approval of the Proposed Transaction may result in Hillot increasing its shareholding to 29.54% of KPC's issued shares but the increased shareholding will represent 36.08% of the shares currently entitled to vote.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports (“RG111”)

- RG 111.24 An issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of s611 that are comparable to takeover bids under Ch 6 include:
- (a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company; and
 - (b) a company issues securities in exchange for cash and, as a consequence, the allottee acquires over 20% of the company. The allottee could have achieved the same or a similar outcome by using a cash-rich entity to make a scrip takeover bid for the company.
- RG111.27 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is 'reasonable' if it has assessed the issue price as being 'not fair' applying the test in RG111.11.
- RG111.10 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 established two distinct criteria for an expert analysing a control transaction:

- (a) is the offer 'fair'; and
- (b) is it 'reasonable'?

That is, 'fair and reasonable' is not regarded as a compound phrase.

RG111.11 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer¹. This comparison should be made:

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- (b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG111.12 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of KPC. In assessing a takeover bid, Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction is both "fair" and "reasonable".

- **General**

The terms "fair" and "reasonable" are not defined in the Act, however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

- Fairness - the Proposed Transaction is "fair" if the value of the Non-Associated Shareholders' interests after the Proposed Transaction is equal to or greater than the value of their interests before the Proposed Transaction.
- Reasonableness - the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as:

- (i) In determining whether the Proposed Transaction is fair, we have:
 - assessed the value of the KPC Non-Associated Shareholders' controlling interests before the Proposed Transaction;

¹ In an ASIC Corporate Finance Liaison presentation in May 2013, ASIC has expressed the view that transactions pursuant to item 7 of Section 611 should be assessed by "comparing the fair market value of the company's shares pre-transaction on a control basis, with the fair market value of the company's shares post-transaction on a minority basis."

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- assessed the value of KPC on a control basis after the Proposed Transaction; and
 - compared the assessed value of the Non-Associated Shareholders' controlling interests in KPC before the Proposed Transaction with the assessed value of the Non-Associated Shareholders' minority interests in KPC after completion of the Proposed Transaction.
- (ii) In determining whether the Proposed Transaction is reasonable, we have considered other significant factors shareholders should review before deciding whether to approve or reject the Proposed Transaction.
- (iii) In determining whether the Proposed Transaction is fair and reasonable to the KPC Non-Associated Shareholders, we have considered and concluded upon the results of (i) and (ii) above.

6. KPC – Key Information

6.1 Background

KPC was incorporated on 3 May 2010 and on 18 December 2010 it was listed on the ASX. The Company's primary objective was the acquisition, exploration and development of mining assets in Australia with a focus on gold and base metals, including nickel and copper.

Following the incorporation of the Company it acquired interests in 5 mining tenements within the Norseman – Wiluna area of Western Australia.

In February 2011 KPC announced that it had entered into a strategic partnership with Hong Kong investment company Grand Concord Investments Limited and through this relationship KPC was introduced to two large potash mining opportunities in Kazakhstan.

On 11 November 2011 KPC shares were suspended from trading as shareholders had voted to change the nature and scale of the Company's activities as part of the proposed acquisition of the Zhilyanskoye and Chelkar potash projects in Kazakhstan.

At a general meeting held on 27 June 2012 the KPC shareholders approved the issue of 165 million shares to the vendors of the Zhilyanskoye potash resource project and 120 million shares to the vendors of the Chelkar potash resource project. The vendors of both projects were only entitled to have the shares issued and released to them upon confirmation that each project contains no less than 1 billion tonnes of potash resources in accordance with JORC standard, with the number of shares to be scaled back in proportion to the confirmed resources.

The completion of the transactions was subject to KPC shares being relisted on the ASX. In order to achieve a relisting of the shares, the ASX required that KPC meet the requirements of Chapters 1 and 2 of the ASX Listing Rules, which in turn meant that KPC had to issue a prospectus. A prospectus was issued by KPC on 28 January 2014 and the prospectus closed on 14 February 2014.

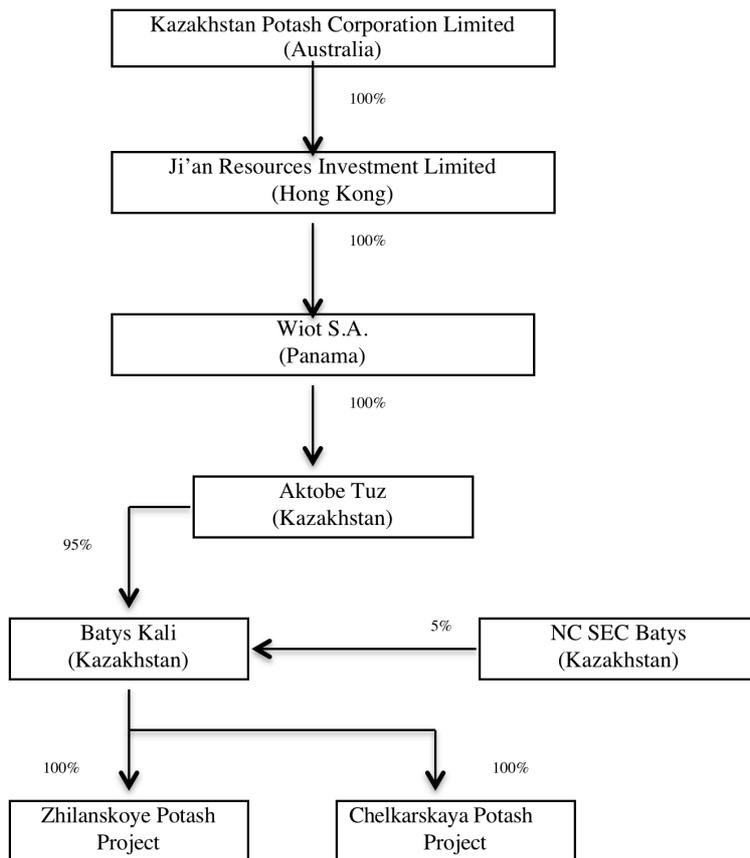
The Zhilyanskoye potash resource project has achieved the hurdle of 1 billion tonnes of potash resources and following the closure of the prospectus and the associated capital raising KPC completed the acquisition of the Zhilyanskoye potash resource project on 10 March 2014 and on 8 April 2014 its shares were relisted on the ASX.

Whilst a potash resource meeting the JORC standard has not yet been established at the Chelkar potash resource project, KPC has also completed the acquisition of this project and issued 120 million shares to the vendor, however these shares are held in escrow and will not be released until a JORC resource has been established at the Chelkar potash resource project.

On 8 May 2013 KPC announced that it had signed a Sale and Purchase Agreement to acquire Satimola Limited, which holds the Satimola potash deposit in Kazakhstan. The acquisition of Satimola pursuant to this agreement was ultimately not completed, however on 14 May 2015 KPC announced that negotiations to acquire the Satimola potash deposit have resumed.

In July 2014 KPC announced that it has sold its remaining Australian tenements and its activities are solely focused on its potash projects located in Kazakhstan.

The current corporate structure of KPC is as follows:



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6.2 Potash

Potash is a naturally occurring mineral, which is used in agriculture to provide potassium to plants. Potassium is an essential nutrient for healthy plant growth and must be added to soils which have naturally low potash content or where extensive farming has depleted the soil of potash and the crops are at risk of potassium deficiency. The chemical element potassium (“K”) in potash strengthens plant stalks and roots, adds flavour, colour and texture to crops and helps fight disease. Potash has also been found to help the efficient uptake of other fertilisers, nitrogen and phosphate, when used in conjunction with them. Approximately 95% of potash production is consumed as a fertiliser in agriculture. The remainder is consumed as feed (potash promotes animal growth and boosts milk production) and in industrial products.

Potash salt is the raw material for potash fertiliser production. World demand for potash fertilisers has grown continuously in direct relation to the global population growth and the emergence of developing economies and markets such as China.

Geographic distribution of mineable potash deposits is limited and two thirds of global supply is produced by three countries: Canada, Russia and Belarus. Nearly all countries in the world consume potash with the USA, China, Brazil and India being the largest consumers, none of which is a major producer of potash.

During the last seven years world demand for potash fertilizers increased by 24.8% as many developing countries increased their consumption of potassium chloride to satisfy the food requirements of growing populations.

World demand for potash is estimated to grow from 31.04 million tonnes in 2014 to 31.5 million tonnes in 2018, an increase of 2.6% per annum. 56% of the increased demand is expected to be in Asia, with China accounting for 23% of the increased demand².

The East Asia subregion is the largest fertiliser consuming region in the world, with potash supply in the region continuing to be far lower than the demand³.

6.3 Zhilyanskoye Potash Resource Project

KPC’s Zhilyanskoye potash resource project is located in Western Kazakhstan and covers an area of 88 sq. km.

The Zhilyanskoye deposit has the following JORC (2012) compliant potash resource, consisting of both polyhalite and sylvinite mineralisation:

Table 2	Sylvinite		Polyhalite	
	Cut-off > 10% K ₂ O		Cut-off > 5% K ₂ O	
	Av. K ₂ O%	Mt tonnes	Av. K ₂ O%	Mt tonnes
Indicated	19.24	65.05	8.17	769.40
Inferred	17.86	54.75	7.32	214.30
Total	18.61	119.80	7.99	983.70

² World fertilizer trends and outlook to 2018 published by the Food and Agriculture Organisation of the United Nations

³ World fertilizer trends and outlook to 2018 published by the Food and Agriculture Organisation of the United Nations

6.4 Share Capital

At the date of this report KPC has 577,342,804 fully paid ordinary shares on issue. The major shareholders of KPC fully paid shares on 3 September 2015 were as follows:

Shareholder	Issued Shares		Voting Shares
	No	%	
Sly & Russell Legal Nominees Pty Ltd	120,000,000	20.78%	0.00%
Hillot Ltd	110,660,576	19.17%	24.20%
Goldquest Services Inc	110,000,000	19.05%	24.05%
Mainstar Investments Ltd	40,000,000	6.93%	8.75%
City Winner Holdings Limited	21,645,050	3.75%	4.73%
Wise Concept Enterprises Inc	18,787,800	3.25%	4.11%
Citicorp Nominees Pty Limited	17,598,707	3.05%	3.85%
United Delight Holdings Ltd	15,000,000	2.60%	3.28%
Pacific Castle International Limited	10,000,000	1.73%	2.19%
Smartime Investments Limited	10,000,000	1.73%	2.19%
Tian Zhi International Investment Limited	10,000,000	1.73%	2.19%
	<u>483,692,133</u>	<u>83.78%</u>	<u>79.52%</u>

KPC also has 201,000,000 options on issue. Details of the options are:

Expiry Date	Number of Options	Exercise Price \$	Conversion Value \$
31/12/15	5,000,000	0.30	1,500,000
20/05/16	12,600,000	0.30	3,780,000
30/06/16	17,000,000	2.00	34,000,000
15/10/16	6,000,000	0.30	1,800,000
17/10/16	7,000,000	0.30	2,100,000
21/10/16	9,400,000	0.30	2,820,000
25/11/16	60,000,000	0.30	18,000,000
2/04/17	32,000,000	0.15	4,800,000
17/04/17	18,000,000	0.20	3,600,000
7/01/18	17,000,000	1.00	17,000,000
7/01/18	17,000,000	1.50	25,500,000
	<u>201,000,000</u>		

In addition to the shares and options referred to above, KPC has 30 million convertible notes on issue, each of which may be converted into 1 share at \$1.00 per share at any time up to 25 November 2017. If the notes are converted, the note holders are entitled to receive 2 options for each converted note. The options are exercisable at \$0.30 per share. Should all of the notes be converted, KPC would issue an additional 30 million shares and 60 million options.

6.5 Operating Performance

KPC's consolidated statements of profit or loss and other comprehensive income for the six-months ended 30 June 2014 and for the six-month period ended 30 June 2015 are as follows⁴:

Table 5	6 months ended 30-Jun-14 Restated \$	6 months ended 30-Jun-15 Reviewed \$
Consolidated Statement of Profit and Loss and other Comprehensive Income		
Revenue From Continuing Operations		
Finance Revenue	287,791	171,357
Employee expenses	(3,706,110)	(3,626,522)
Depreciation and amortisation	(119,693)	(124,087)
Consulting fees	(34,118,768)	(3,190,364)
Legal and other professional fees	(422,730)	(510,235)
Exploration and evaluation	(214,918)	(146,017)
Marketing and promotion expense	(288,742)	(15,520)
Regulatory listing fees	(188,482)	(45,220)
Occupancy expenses	(945,082)	(1,115,180)
Telecommunication	(13,538)	(13,596)
Travel expense	(248,547)	(212,285)
Finance costs	(1,469,804)	(1,973,817)
Loss on disposal of plant and equipment	(1,861)	(263)
Loss on disposal of exploration and evaluation assets	(114,162)	-
Other expenses	(218,144)	(128,767)
Impairment of receivables	-	(3,255,208)
Foreign exchange gain/(loss)	(1,421,562)	(182,165)
(Loss) before income tax from continuing operations	(43,204,352)	(14,367,889)
Income tax benefit	-	-
(Loss) after income tax expense for the period	(43,204,352)	(14,367,889)
Other comprehensive income/(loss)	(5,268,165)	1,146,290
Total comprehensive loss for the period	(48,472,517)	(13,221,599)
Less: attributable to non-controlling interests	26,205	67,792
Owners of the company	(48,446,312)	(13,153,807)

Source: KPC's Interim Report – 30 June 2015.

⁴ KPC has changed its accounting year from 30 June to 31 December, effective 31 December 2013

6.6 Cash Flow Statements

KPC's cash flow statements for the six-months ended 30 June 2014 and for the six-month period ended 30 June 2015 as follows⁵:

Table 6	6 months ended 30-Jun-14 Audited	6 months ended 30-Jun-15 Reviewed
Consolidated Statement of Cash Flows	\$	\$
Cash flows from operating activities		
Interest received	38,216	89
Payments to suppliers and employees	(7,205,727)	(4,924,490)
Interest paid	-	-
Net cash used in operating activities	(7,167,511)	(4,924,401)
Cash flows from investing activities		
Purchase of subsidiaries net of cash acquired	158,472	-
Purchase of plant and equipment	(19,768)	(7,253)
Payments for tenements and exploration expenditure	(407,187)	(465,667)
Proceeds from disposal of tenements	85,838	-
Loans to other parties	(201,341)	(3,255,208)
Net cash used in investing activities	(383,986)	(3,728,128)
Cash flows from financing activities		
Proceeds from issue of shares	8,262,526	9,014,808
Proceeds from exercise of options	40,000	-
Proceeds for shares to be issued in the future	-	6,000,000
Proceeds from borrowings	-	3,854,768
Repayment of borrowings	-	(7,953,805)
Net cash provided by financing activities	8,302,526	10,915,771
Net increase in cash held	751,029	2,263,242
Cash at beginning of financial period	10,835,012	1,820,927
Effects of exchange rate changes on cash	(540,392)	122,315
Cash at end of financial period	11,045,649	4,206,484

Source: KPC's Interim Report – 30 June 2015.

⁵ KPC has changed its accounting year from 30 June to 31 December, effective 31 December 2013

6.7 Statements of Financial Position

KPC's statements of financial position as at 1 January 2014, 31 December 2014 and 30 June 2015 are as follows⁶:

Table 7			
Consolidated Statement of Financial Posit	1-Jan-14	Restated 31-Dec-14 Reviewed	30-Jun-15 Reviewed
	\$	\$	\$
Current assets			
Cash and cash equivalents	10,835,012	1,820,927	4,206,484
Other assets	867,145	1,225,355	1,315,195
Total current assets	11,702,157	3,046,282	5,521,679
Non-current assets			
Non-current financial assets	58,251,513	325,344	366,628
Intangible assets	-	32,112	28,419
Property, plant and equipment	412,676	276,233	179,781
Exploration and evaluation expenditure	200,000	106,720,168	108,115,923
Total non-current assets	58,864,189	107,353,857	108,690,751
Total assets	70,566,346	110,400,139	114,212,430
Current liabilities			
Accrued expenses and other payables	1,854,596	2,906,378	7,781,338
Financial liabilities	-	3,827,189	-
Total current liabilities	1,854,596	6,733,567	7,781,338
Non-current liabilities			
Deferred tax liability	112,500	17,208,393	17,208,393
Non-current financial liabilities	12,561,441	15,701,801	17,539,056
Non-current provisions	-	242,923	254,073
Total non-current liabilities	12,673,941	33,153,117	35,001,522
Total liabilities	14,528,537	39,886,684	42,782,860
Net assets	56,037,809	70,513,455	71,429,570
Equity			
Issued capital	85,256,698	155,284,719	168,631,933
Reserves	29,194,097	29,965,470	31,062,260
Accumulated losses	(58,412,986)	(114,347,562)	(127,807,659)
Non-controlling interests	-	(389,172)	(456,964)
Total equity	56,037,809	70,513,455	71,429,570

Source: KPC's Interim Report – 30 June 2015.

⁶ KPC has changed its accounting year from 30 June to 31 December, effective 31 December 2013

7. Valuation of KPC Before the Proposed Transaction

7.1 Value Definition

DMR Corporate's valuation of KPC has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

7.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- net present value of future cash flows;
- asset based methods;
- capitalisation of future maintainable earnings; and
- comparable market transactions.

Each of the above methodologies is described and where possible applied in the balance of this Section 7.

7.3 Share Price History

The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of the proposed transaction.

In the present circumstances KPC is merely seeking shareholder approval to the increase in Hillot's voting power so that Hillot is not precluded from meeting its obligations pursuant to the 5 May 2015 Share Subscription Agreement (as amended). The need to seek this approval stems from Hillot's off-market acquisition of 65,660,576 KPC shares, which was announced to the market on 31 August 2015 by way of a Substantial Shareholder Notice. For this reason we have examined the KPC share price up to 30 August 2015.

A table of the volume and value of the KPC shares traded on the ASX in the period from 1 August 2014 to 30 August 2015 is as follows:

Table 8 Month	Share Price			Volume	Value
	High \$	Low \$	Average \$		
2014					
August	0.170	0.150	0.156	875,511	136,904
September	0.310	0.100	0.186	896,763	166,559
October	0.300	0.200	0.268	2,049,850	549,082
November	0.235	0.185	0.223	2,742,176	612,088
December	0.270	0.200	0.239	1,797,501	430,209
2015					
December	0.260	0.210	0.242	1,112,193	269,385
February	0.210	0.120	0.162	1,037,502	167,693
March	0.140	0.070	0.105	858,578	90,340
April	0.165	0.110	0.145	641,492	93,193
May	0.200	0.125	0.186	349,768	65,025
June	0.155	0.100	0.110	282,593	31,058
July	0.130	0.090	0.109	425,007	46,343
August 1-30	0.130	0.120	0.120	1,070,666	128,837
				<u>14,139,600</u>	<u>2,786,714</u>

On a daily basis the ASX closing prices and trading volumes are graphed as follows:

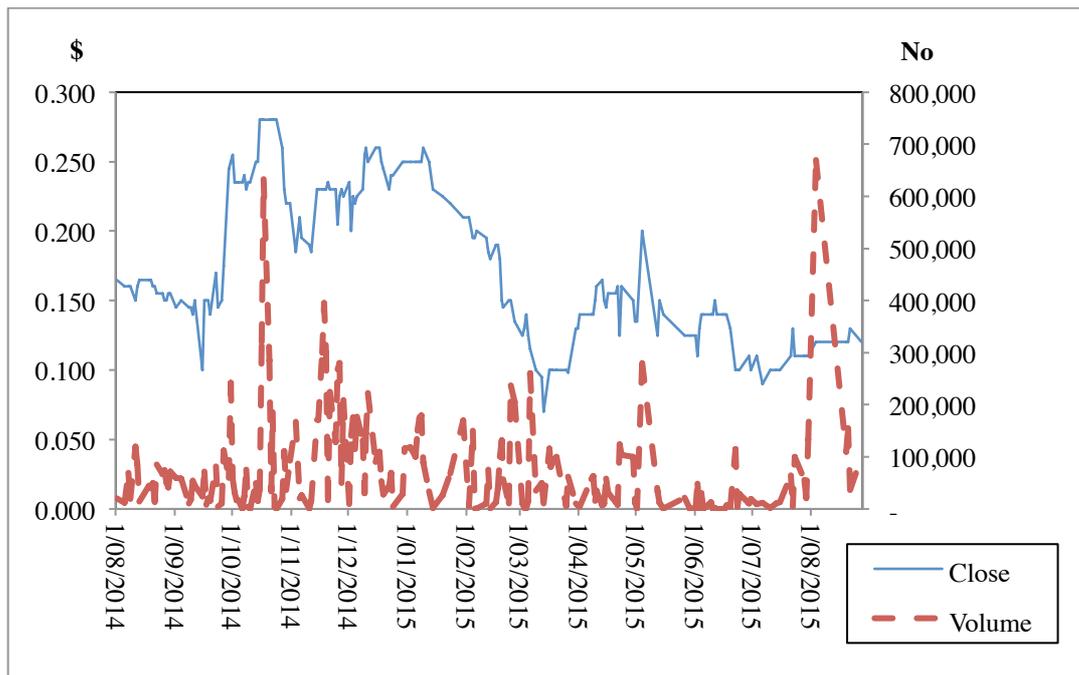


Table 8 shows that the total number of shares traded since 1 August 2014 was 14,139,600. Of the total shares on issue (577,342,804), there are 319,500,000 shares under escrow, leaving a pool of 257,842,804 shares that are freely tradeable. The number of shares traded represents 5.5% of the freely tradeable shares. As the period depicted in Table 9 covers approximately 13 months, we have concluded that the KPC shares are relatively illiquid.

Table 8 and the above graph do not include the 65,660,576 shares acquired by Hillot via off-market share transfers on 27 August 2015 at a price of \$0.20 per share, satisfied by an issue of shares in Burwill.

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As can be seen from the above graph, the share price has trended lower throughout the period and, apart from a large trade on 3 August 2015 when 670,000 shares were traded, the volumes have also been on a declining trend.

In view of the declining share prices and volumes we have also examined in more detail the trading in KPC's shares since the date that the Hillot share subscription agreement was announced on 6 May 2015. This analysis is set out below:

Table 9 Period	Shares Traded		VWAP \$	Share Price	
	Number	Value		Low	High
		\$		\$	\$
30 days to 30/8/15	1,280,257	151,892	0.119	0.110	0.130
60 days to 30/8/15	1,524,853	178,197	0.117	0.090	0.130
since 6/5/15	1,847,034	215,126	0.116	0.090	0.160

After considering the results of the above analysis, we have concluded that the KPC shares have a market value of approximately \$0.12 per share.

The above value is a minority value. As a result of the Proposed Transaction Hillot may hold up 36.08% of KPC's voting shares and this would provide it with effective control. A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets.

To determine the premium applicable to a controlling interest we have referred to the RSM Bird Cameron Control Premium Study 2013, summarised below.

Table 10		Control Premium 20 days Pre Announcement	
		Average	Median
Analysis by:	Criteria		
	All transactions	35.30%	29.00%
	Metal & Mining	35.47%	31.70%
	Consideration type		
	Cash	37.10%	30.00%
	Toehold prior to announcement		
	>20%	38.32%	30.56%
	< \$50M to		
	Size		
	<100M	37.80%	30.60%

After reviewing the above information we have concluded that a control premium in a range of 30% to 35% should be applied to the minority share price.

Using the selected range of control premiums, the value of KPC shares on a control basis can be estimated as follows:

Table 11	Low	High
Minority Value	\$0.12	\$0.12
Control Premium	30.0%	35.0%
Control Value	<u>\$0.16</u>	<u>\$0.16</u>

7.4 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

As KPC does not have an operating business generating cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value KPC.

We have reached the above conclusion as the Zhilyanskoye project contains only indicated and inferred potash resources and to date only a pre-feasibility style technical report has been completed. This means that there is insufficient certainty as to the likely extent and timing of any future cash flows to complete a valuation using this methodology.

7.5 Asset Based Methods

7.5.1 These methodologies are based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) **Net Assets**

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses. The net assets on a going concern basis methodology does not take account of realisation costs.

(b) **Orderly Realisation of Assets**

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs.

(c) **Liquidation of Assets**

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

7.5.2 Net Assets

The total net assets of KPC as at 30 June 2015, per the reviewed consolidated accounts, were \$71,429,570 (Table 7). These values have been determined for financial reporting purposes using Australian Accounting Standards, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Act as applicable and the values therefore may not reflect the market values of the individual assets.

We bring to the attention of all shareholders that the historical financial statements as at 30 June 2014 and 31 December 2014 have been restated as a 'prior period restatement' pursuant to the Company's recent discussions with ASIC in relation to the fair value assessment adopted by the Company in relation to the acquisition accounting principles for the purchase of the Batys Kali assets (i.e. Zhilyanskoye) – Refer to Appendix B.

KPC had 562,342,804 shares on issue at 30 June 2015. These shares on issue include 120,000,000 shares held in escrow in relation to the Chelkar project. Pending the determination of a JORC resource at the Chelkar project, these shares have been issued at nil value. Excluding these shares, KPC had 442,342,804 shares on issue at 30 June 2015 and based on that number of shares, the net asset backing per share is \$0.16 (\$71,429,570 / 442,342,804).

Based on the net asset valuation methodology we have valued the KPC shares at \$0.16 per share.

7.5.3 Orderly Realisation of Net Assets / Liquidation of Assets

KPC recently completed the acquisition of the Zhilyanskoye and Chelkar projects. As at 30 June 2015 KPC had approximately \$4 million in cash and, pursuant to the Share Subscription Agreement with Hillot, expects to raise a further \$11,000,000, subject to shareholder approval.

In these circumstances we have not adopted the orderly realisation of net assets or the liquidation of assets methodology as these methodologies may understate the in-use values of these assets.

7.6 Capitalisation of Future Maintainable Earnings

This methodology involves capitalising the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. A traditional method is to use net profit after tax – Price Earnings or PE. Other common methods are the use of Earnings Before Interest and Tax (EBIT) or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

We have concluded that the capitalisation of future maintainable earnings methodology cannot be applied in valuing KPC and its shares as it has no operating activities generating earnings.

7.7 Comparable Market Transactions

Theoretically this is a sound valuation methodology as it is based on tangible evidence of other similar transactions (this is the methodology generally adopted in valuing real estate). Whilst this methodology cannot be used to directly value KPC shares, the methodology can be used to assess the value of mineral assets. The value of the mineral assets can then be incorporated into the balance sheet of the company to derive a value of its net assets and therefore its value per share.

On 25 November 2014 we issued an Independent Expert's Report in respect of an earlier KPC transaction. This report was released to the ASX on 1 December 2014 as an attachment to a notice of General Meeting. In preparing this earlier report, we appointed Corvidae Pty Ltd ATF Ravensgate Unit Trust T/As Ravensgate ("Ravensgate") to independently conduct a technical review and to prepare a valuation of the mineral assets held by KPC. Ravensgate's report dated 21 November 2014 is an attachment to our report dated 25 November 2014.

As limited exploration has been undertaken at the Zhilyanskoye project since Ravensgate prepared their report dated 21 November 2014, we have requested Ravensgate to review their earlier valuation taking into account KPC ASX announcements since the date of the earlier report and changes in potash prices and movement in exchange rates. Based on this information Ravensgate have updated their valuation of the Zhilyanskoye project as follows:

Table 12
Summary of Project Technical Valuation in Respective Ownership terms

Project	Mineral Asset	Ownership	Valuation		
			Low	Preferred	High
Jun-15			\$	\$	\$
Zhilyanskoye Mineral Resource	Pre Development Project	95%	107.66	128.80	149.95
Zhilyanskoye Advanced Exploration	Advanced Exploration	95%	2.68	4.01	5.35
Total		95%	110.34	132.81	155.30

7.8 Sum of the Parts Valuation

In this section we have assessed the value of KPC shares based on the 30 June 2015 book values referred to in Section 7.5.2, adjusted for the assessed value of the Zhilyanskoye project and the funds raised by KPC since 30 June 2015.

Whilst KPC has 577,342,804 fully paid ordinary shares on issue at the date of this report, this includes 120 million shares issued in respect of Chelkar that are in escrow pending the establishment of a JORC resource. As these shares are currently non-voting and may be cancelled for no consideration, we have excluded these shares in considering the impact of the Proposed Transaction on the Non-Associated Shareholders. Excluding the Celaric Shares there are 457,342,804 shares on issue. As we have excluded the Celaric Shares, we have also not included any value for the Chelkar project in the following analysis.

Although the Celaric shares have been excluded for the purposes of the sum of parts valuation, for all other purposes those shares exist, and would be counted. For example, in circumstances where the Company entered external administration and surplus assets were to be divided among the members in proportion to the number of shares held.

In the following Table (Table 13) we have specifically eliminated the book value of the 'Exploration and evaluation expenditure' and inserted our assessment of the value of the

Zhilyanskoye project so that we can determine a net asset backing of KPC on the basis that the Chelkar project does not proceed.

Table 13

KPC - Net Assets	30-Jun-15 Reviewed \$	Notes	Pro Forma		
			Low \$	Preferred \$	High \$
Current assets					
Cash and cash equivalents	4,206,484	3	7,206,484	7,206,484	7,206,484
Other assets	1,315,195		1,315,195	1,315,195	1,315,195
Total current assets	5,521,679		8,521,679	8,521,679	8,521,679
Non-current assets					
Non-current financial assets	366,628		366,628	366,628	366,628
Intangible assets	28,419		-	-	-
Property, plant and equipment	179,781		179,781	179,781	179,781
Exploration and evaluation expenditure	108,115,923	1	110,340,000	132,810,000	155,300,000
Total non-current assets	108,690,751		110,886,409	133,356,409	155,846,409
Total assets	114,212,430		119,408,088	141,878,088	164,368,088
Current liabilities					
Accrued expenses and other payables	7,781,338		7,781,338	7,781,338	7,781,338
Total current liabilities	7,781,338		7,781,338	7,781,338	7,781,338
Non-current liabilities					
Deferred tax liability	17,208,393	2	17,653,208	22,147,208	26,645,208
Non-current financial liabilities	17,539,056		17,539,056	17,539,056	17,539,056
Non-current other liabilities	254,073		254,073	254,073	254,073
Total non-current liabilities	35,001,522		35,446,337	39,940,337	44,438,337
Total liabilities	42,782,860		43,227,675	47,721,675	52,219,675
Net assets	71,429,570	4	76,180,413	94,156,413	112,148,413
Shares currently on issue excluding the Celaric Shares	457,342,804		\$ 0.17	\$ 0.21	\$ 0.25

Notes on Pro-forma:

- Note 1** Ravensgate reviewed their 21 November 2014 report and given changes in the market price of potash and currency exchange rates, they consider that the updated market value of the Zhilyanskoye project is in a range of \$110.34 million to \$155.30 million with a preferred value of \$132.81 million. These values have been used in the above Table. (The 21 November 2014 report valued the Zhilyanskoye project in a range of \$80.91 million to \$118.13 million with a preferred value of \$99.47 million. The earlier report utilised potash prices of US\$287 per ton and the US\$/A\$ exchange rate of A\$1.00/US\$0.874. The potash price has been updated to US\$307 per ton and the exchange rate to A\$1.00/US\$0.768.)
- Note 2** The deferred tax liability at 30 June 2015 relates to an increase in the value of the Zhilyanskoye project recorded on consolidation of the subsidiary that holds the project, estimated using a tax rate of 20%. We have similarly adjusted the deferred tax liability for the additional liability relating to the revaluation of the Zhilyanskoye project as per Note 1.
- Note 3** The cash holding has been increased by \$3 million to reflect the share placement announced on 31 July 2015.

Note 4 It should be noted that the net assets do not reflect any other transactions entered into by KPC since 30 June 2015, as such the net assets do not account for operating and exploration costs incurred by KPC between 1 July 2015 and the date of this report.

As can be seen from Table 13, we have assessed the value of KPC shares using the sum of the parts methodology to be in a range of \$0.17 to \$0.25 per share, with a preferred value of \$0.21 per share.

7.9 Conclusion

The applicable valuation methodologies that we have considered are summarised as:

Table 14		Valuer per share		
		Low	Preferred	High
Valuation Methodology	Section	\$	\$	\$
Share price history	7.3	0.16	0.16	0.16
Sum of the parts	7.7	0.17	0.21	0.25

After reviewing the results of the two applicable valuation methodologies, we have concluded that the sum of the parts methodology should be preferred to the share price history methodology due to the relatively low volumes of shares traded on which the share price history methodology was based.

We have therefore concluded that the KPC shares are valued in a range of \$0.17 to \$0.25 per share.

As the Non-Associated Shareholders currently hold 346,682,228 shares, the value of their interest before the Proposed Transaction can be assessed as follows:

Table 15		Low	Preferred	High
Before the Proposed Transaction	Source			
Minority Value per share	Table 14	\$0.17	\$0.21	\$0.25
Shares held by Non-Associated Shareholders	Table 1	346,682,228	346,682,228	346,682,228
Value of shares held by Non-Associated Shareholders		\$58,935,979	\$72,803,268	\$ 86,670,557
Say		\$58,900,000	\$72,800,000	\$ 86,700,000

8. Valuation of KPC After the Proposed Transaction

The definition of value and the valuation methodologies considered are the same as stated in Section 7 above.

The approval of the Proposed Transaction will result in the issue of 85 million shares to

Hillot. The issue of 85 million shares will result in KPC receiving an additional \$11 million in cash and the elimination of a current liability of \$6 million, by converting the \$6 million deposit received from Hillot on 5 May 2015 into equity. As such the net assets set out in the pro forma columns of Table 13 will increase by \$17 million.

The value of KPC after the Proposed Transaction can therefore be expressed as follows:

After the Proposed Transaction	Source	Low \$	Preferred	High \$
Net Asset value before the Proposed Transaction	Table 13	76,180,413	94,156,413	112,148,413
Issue of 85 million shares to Hillot		17,000,000	17,000,000	17,000,000
Valuation of KPC After the Proposed Transaction		<u>93,180,413</u>	<u>111,156,413</u>	<u>129,148,413</u>
Say		<u>93,200,000</u>	<u>111,200,000</u>	<u>129,100,000</u>

We have concluded that the equity value of KPC after the Proposed Transaction will be in a range of \$93.2 million to \$129.1 million, with a preferred value of \$111.2 million.

9. Assessment as to Fairness

In Section 8 we concluded that the equity value of KPC after the Proposed Transaction would be in a range of \$93.2 million to \$129.1 million, with a preferred value of \$111.2 million. There will however be an additional 85 million shares issued to Hillot, and as Hillot will hold effectively up to 36.08% (Table 1) of KPC's voting shares, the Non-Associated Shareholders will hold minority shares. The value of each minority share after allowing for the additional shares to be issued to Hillot and after applying a minority discount (to eliminate the control premium as assessed in Section 7.3) can be estimated as follows:

After the Proposed Transaction	Source	Low	Preferred	High
Valuation of KPC After the Proposed Transaction	Table 16	\$93,200,000	\$111,200,000	\$129,100,000
No of shares on issue (excluding the Celaric Shares)	Table 1	542,342,804	542,342,804	542,342,804
Value per share on a control basis		<u>\$0.17</u>	<u>\$0.21</u>	<u>\$0.24</u>
Minority discount		23.0%	24.5%	26.5%
KPC - Minority value per share		<u>\$0.13</u>	<u>\$0.15</u>	<u>\$0.17</u>

After the Proposed Transaction the Non-Associated Shareholders will continue to hold 346,682,228 shares, however KPC will have an additional 85 million shares on issue.

The value of the shares held by the Non-Associated Shareholders after the Proposed Transaction (on a minority basis) can therefore be assessed as follows:

After the Proposed Transaction	Source	Low	Preferred	High
Minority Value per share	Table 17	\$0.13	\$0.15	\$0.17
Shares held by Non-Associated Shareholders	Table 1	346,682,228	346,682,228	346,682,228
Value of shares held by Non-Associated Shareholders		\$45,068,690	\$ 52,002,334	\$ 58,935,979
Say		\$45,100,000	\$ 52,000,000	\$ 58,900,000

In Section 7.9 (Table 15) we concluded that the value of the shares held by the Non-Associated Shareholders before the Proposed Transaction (on a control basis) is in a range of \$58.9 million to \$86.7 million, with a preferred value of \$72.8 million and in Table 18 we concluded that the value of the shares held by the Non-Associated Shareholders after the Proposed Transaction (on a minority basis) is in a range of \$45.1 million to \$58.9 million, with a preferred value of \$52.0 million.

As the minority value of the shares held by the Non-Associated Shareholders after the Proposed Transaction is less than the control value of their shares before the Proposed Transaction, we have concluded that **the Proposed Transaction is not fair**.

10. Other Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the Non-Associated Shareholders should also consider the following factors:

- As the Celaric Shares are currently not being voted, the Proposed Transaction may increase the percentage of voting shares held by Hillot to 36.08%. However release of the Celaric Shares from escrow in full would result in reducing the percentage of voting shares held by Hillot to 29.54%.
- We believe that Hillot's voting power is likely to reduce in the short to medium term. The reasons for this view are:
 - As advised on 14 May 2015, KPC has resumed negotiation to acquire the Satimola potash deposit in Kazakhstan. The acquisition of this asset was previously approved by KPC's shareholders, including the issue of 100 million shares to Goldquest Services Inc (Goldquest Services Inc agreed to direct KPC to issue 25 million of these shares to City Winner Holdings Limited, a company controlled by Madame Cheung, the Chairperson of KPC). Whilst the terms of any new agreement to acquire the Satimola deposit are not known, the completion of this acquisition will in all probability require KPC to issue additional shares, thus reducing Hillot's voting power.
 - On 30 March 2015 KPC announced that it had entered into an Engineering Procurement and Construction Agreement with CITIC Construction Co Ltd for the development of the Zhilyanskoye project at a provisional cost of US\$500 million. Again, we would expect that KPC will need to raise substantial additional equity if

this project is to proceed and this will also result in a reduction in Hillot's voting power.

- Our assessment of fairness was completed on the basis that the Non-Associated Shareholders currently control KPC but that control will be ceded to Hillot. As discussed above, KPC will in all probability need to issue additional capital to complete the acquisition of Satimola and will require substantial additional capital to bring its Kazakhstan potash projects to production. We believe that the expectation of further dilutive capital raisings is reflected in KPC's share price and the level of control of Hillot will be reduced by future capital raisings. We have therefore reproduced below Table 17 without incorporating a minority discount:

After the Proposed Transaction	Source	Low	Preferred	High
Valuation of KPC After the Proposed Transaction	Table 16	\$93,200,000	\$111,200,000	\$129,100,000
No of shares on issue (excluding the Celaric Shares)	Table 1	542,342,804	542,342,804	542,342,804
Value per share on a control basis		\$0.17	\$0.21	\$0.24
Minority discount		0.0%	0.0%	0.0%
KPC - Control value per share		\$0.17	\$0.21	\$0.24

As can be seen from Section 7.9 we concluded that on a control basis the KPC shares have a current value in a range of \$0.17 to \$0.24 per share and, as can be seen from Table 19, the shares will continue to have a value in a range of \$0.17 to \$0.24 on a control basis after the Proposed Transaction. When viewed on this basis, the issue of 85 million shares to Hillot will not result in a dilution in the control value of KPC's shares.

- As can be seen from Table 13, on a pro-forma basis KPC has cash reserves of approximately \$7.2 million, however this cash holding would have been reduced by payments made since 1 July 2015. The current cash holding incorporates a deposit of \$6 million received from Hillot on 5 May 2015. If the Non-Associated Shareholders do not approve the Proposed Transaction the deposit of \$6 million will become refundable to Hillot, leaving KPC at best with very limited resources to meet its other debts as and when these become due and payable. In order to avoid insolvent trading, KPC would be left with little choice but to seek alternate equity funding sources. In Section 7.3 we provided details of the recent trading in KPC's shares and concluded that the KPC shares have a current market value of approximately \$0.12 per share. In our experience new share issues are generally priced at a discount to market. For smaller companies such as KPC this discount generally exceeds 10%. As the Proposed Transaction will result in Hillot being issued shares at \$0.20 per share, we would expect any alternative capital raising to require KPC to issue at least twice the number of shares that will be issued to Hillot to raise the same amount of capital. We therefore believe that any alternative capital raising is likely to be significantly more dilutive to the Non Associated Shareholders than the Proposed Transaction.

Having considered the above advantages and disadvantages of the Proposed Transaction, we consider the Proposed Transaction is reasonable.

11. Conclusion as to Fairness and Reasonableness

After reviewing the results of our assessment of the fairness of the Proposed Transaction set out in Section 9 and after considering the 'other considerations' set out in Section 10, we consider that **the Proposed Transaction is not fair but is reasonable**.

12. Financial Services Guide

12.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

12.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

12.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

12.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

12.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with KPC,

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Hillot or their associates.

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Drafts of this report were provided to and discussed with the Directors of KPC and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate and its related entities do not have any shareholdings in or other relationships with KPC, Hillot, or Burwill that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

12.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately \$28,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

12.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully,

DMR Corporate Pty Ltd



Paul Lom
Director



Derek Ryan
Director

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Kazakhstan Potash Corporation Limited

Sources of Information

The following sources of information have been utilised and relied upon in the course of preparing this report.

- Draft Notice of General Meeting and the Explanatory Statement which this report accompanies
- Reviewed financial statements of KPC for the 6 months period ended 30 June 2015
- KPC's announcements to the ASX since 1 January 2015
- KPC's share register as at 3 September 2015
- Share price and volume details from Capital IQ
- Ravensgate – Technical Project Review and Independent Valuation Report – 21 November 2014
- Discussions with Mr. Marco Marcou (KPC Executive Director)

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Background to the Prior Period Re-Statement of the Financial Statements

Prior Period re-statement

Following discussions with the Australian Securities and Investments Commission (ASIC) the company has re-visited the acquisition accounting for the Batys Kali assets. In order to determine the purchase consideration for the acquisition, a fair value assessment of the company's shares issued as consideration was required. At the time the company's shares were not trading and significant judgement was required to determine the fair value of the consideration paid. The company determined the most observable input to be \$1.80 per share, the price paid by new, unrelated investors that subscribed via the company's prospectus.

Following the review of the fair value assessment the company considered using the share price on the date the company was re-admitted to the ASX, namely 30 cents per share. Although the shares were thinly traded, it does constitute a level 1 input under AASB 13 "Fair value". The company now consider this valuation provides a more appropriate basis for use as the fair value of the shares issued as consideration.

Impact on equity (increase/ (decrease) in equity):

	31 December 2014 \$	1 January 2014 \$
Exploration and Evaluation assets	(301,742,290)	-
Total assets	(301,742,290)	-
Deferred tax liabilities	(47,805,016)	-
Total liabilities	(47,805,016)	-
Net impact on equity	<u>(253,937,274)</u>	<u>-</u>

Impact on statement of profit or loss (increase/ (decrease) in loss):

	30 June 2014 \$
Consultancy fee expenses	(57,420,000)
Net impact on loss for the year	<u>(57,420,000)</u>
Attributable to:	
Equity holders of the parent	(57,420,000)
Non-controlling interest	-

Impact on statement of other comprehensive income (increase/ (decrease) in other comprehensive income):

	30 June 2014 \$
Foreign currency translation	(382,239)
	<u>(382,239)</u>

Impact on basic and diluted earnings per share (EPS) (increase/ (decrease) in EPS):

	30 June 2014 \$
Earnings per share	
Basic	15.45
Diluted	15.45

The change did not have impact on the Group's operating, investing and financing cash flows.

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the directors of KPC pursuant to Section 611 of the Act to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate, prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia and an Accredited Business Valuation Specialist. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of the Institute of Chartered Accountants in Australia and an Accredited Business Valuation Specialist with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Statement.

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Kazakhstan Potash Corporation Limited

PROXY FORM FOR 2015 GENERAL MEETING

I/We

of

am/are a member(s) of Kazakhstan Potash Corporation Limited ACN 143 441 285 and I/we appoint as my/our proxy:

of

or, if no person is named above or is absent, the Chairperson of the General Meeting of the Company, as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at the offices of Norton Rose Fulbright Australia, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria on Thursday, 29 October 2015 at 10:00 am (Melbourne time) and at any adjournment of that Meeting.

Important Notes: If you appoint a proxy, we encourage you to direct your proxy how to vote on each Resolution. The Chairperson of the General Meeting intends to vote all undirected proxies in favour of each Resolution, unless otherwise required by law.

Note: If appointing a second proxy please state the number of Shares or the percentage of voting rights applicable to this Proxy Form.

Number of shares OR %

I/We direct my/our proxy to vote in respect of each Resolution to be considered as indicated with an "X" below, and to vote or abstain in respect of any procedural resolution as my/our proxy thinks fit.

		For	Against	Abstain*
Resolution 1	Approval of acquisition of Shares by Hillot Limited			

If no direction is given above, I/we authorise my/our proxy to vote or abstain as my/our proxy thinks fit in respect of the Resolution to be considered by the General Meeting and any adjournment of the Meeting (subject to any restrictions set out above or otherwise imposed by law).

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

..... Date:

This form should be signed by the Shareholder. If a joint holding, any of the joint Shareholders may sign. If signed by the Shareholder's attorney, the power of attorney must have been previously lodged with the Company or a certified copy attached to this Proxy Form. If executed by a company, the Proxy Form must be executed in accordance with the Company's constitution and the *Corporations Act 2001*.

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PROXY INSTRUCTIONS

Appointment of proxy

A member entitled to attend and vote at the Meeting can appoint a proxy to attend and vote at the Meeting on their behalf. A proxy need not be a Shareholder.

Where a member is entitled to cast 2 or more votes, the member may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions).

For an appointment of a proxy to be effective, an instrument of appointment of a proxy (and any power of attorney or other authority under which it is signed or a certified copy of that power or authority) must be received by the Company, by hand delivery, postage or facsimile using the details set out below, not less than 48 hours prior to the Meeting. That is, by 10:00 am (Melbourne time) on Tuesday, 27 October 2015.

Address:	The Company Secretary Kazakhstan Potash Corporation Limited Level 27, 101 Collins Street Melbourne VIC 3000
Facsimile:	+61 (3) 9653 9023

If you require a second Proxy Form, please contact the Company on +61 (3) 9653 9020.

Signature(s)

You must sign this form in the spaces provided as follows:

- **Individual Holding:** The Shareholder must sign in the box.
- **Joint Holding:** If Shares are held in joint names, any of the joint Shareholders may sign in the box.
- **Attorney:** If you are signing this form as an Attorney, the Power of Attorney must have already been lodged with the Company or, alternatively, a certified copy of it must accompany this Proxy Form.
- **Companies:** Only duly authorised officer(s) can sign this Proxy Form on behalf of a company. Please sign in the boxes provided which state the office held by the signatory, i.e. Director and Director, or Company Secretary and Director, or sole Director and sole Company Secretary