

27 April 2017

## ASX Announcement March 2017 Quarterly Activities Report

### Summary

- **Chelkar - Assay High Grade Potash Mineralisation Present**
- **Bankable Feasibility Study Advances for Satimola Project**
- **JV with Chongqing Material of Agricultural Production (Group) Co., Ltd – Operational**
- **Annual Report**

### Corporate

#### Chelkar - Assay High Grade Potash Mineralisation Present

On 5 January 2017, the Board of Kazakhstan Potash Corporation Limited (KPC) announced that the validated assay results from the remaining drill hole, No. 834, of the 2013–2015 exploration campaign on the Chelkar potash project confirm high grade sylvinite mineralisation at depth. Drill hole 834 was drilled to 1100 metres depth and intersected multiple horizons of exceptionally high grade potash mineralisation (Figure 1), including 3.4 m @ 60.1% KCl from 797 m, within a spectrum of halite-carnallite-sylvinite evaporite sequence.

The best intersections include the following:

- 3.7 m of sylvinite @ 54.6% KCl from 624.0 m;
- 3.4 m of sylvinite @ 54.0% KCl from 697.4 m;
- 2.1 m of borate/sylvinite @ 24.4% KCl and 29.1% B<sub>2</sub>O<sub>5</sub> from 701.7 m;
- 10.3 m of carnallite @ 20.1 KCl from 742.0 m;
- 2.1 m of sylvinite @ 57.9% KCl from 773.5 m;
- 21.4 m of carnallite @ 25.1% KCl from 775.6 m;
- 3.4 m of sylvinite @ 60.1% KCl from 797.0 m.

*Note: reported intersections are down hole lengths, see Table 1 for true widths.*

These results together with other studies will be the basis of completion of a JORC 2012 Compliant Mineral Resource for the Chelkar Deposit. This will be completed in 2017.



**Figure 1. Photo of sylvinite mineralisation from Drill Hole 834**  
(Scale in the upper part of the photo is in centimetre)

**Table 1. Significant assay results of Drill Hole 834 intersections**

From (metres)	To (metres)	Interval (metres)	True Width (metres)	K <sub>2</sub> O (%)	KCl (%)	Mg (%)	Ca (%)	Cl (%)	SO <sub>4</sub> (%)	Na (%)	B <sub>2</sub> O <sub>3</sub> (%)	Lithology
465.3	466.3	1.0	0.9	28.5	45.1	2.68	0.49	49.5	2.40	14.32	0.02	Sylvinitite
466.3	468.6	2.3	n.d.	14.2	22.5	6.30	1.08	39.7	3.41	7.42	0.01	Carnallitite
471.0	472.7	1.7	n.d.	14.0	22.1	7.87	0.00	38.2	0.93	3.87	0.00	Carnallitite
475.9	476.9	1.0	n.d.	14.7	23.3	7.03	0.39	41.7	1.44	5.49	0.00	Carnallitite
477.6	479.7	2.1	n.d.	12.2	19.3	5.77	0.69	41.2	2.62	11.48	0.00	Carnallitite
599.6	601.2	1.6	n.d.	11.5	18.2	5.13	0.98	43.4	2.65	13.73	0.02	Carnallitite
618.7	622.4	3.7	n.d.	10.7	16.9	6.48	0.27	43.4	3.66	14.39	0.87	Boron bearing carnallitite
623.0	624.0	1.0	n.d.	12.0	19.0	5.90	0.29	42.6	2.34	11.87	0.01	Carnallitite
624.0	627.7	3.7	n.d.	34.5	54.6	0.12	0.59	50.3	1.34	16.32	0.00	Sylvinitite
627.7	629.2	1.5	n.d.	11.3	17.9	5.68	0.79	43.0	2.74	11.87	0.00	Carnallitite
694.5	697.4	2.9	n.d.	12.3	19.5	7.79	1.14	38.5	7.35	9.49	3.57	Boron bearing carnallitite
697.4	700.8	3.4	3.2	34.2	54.1	0.22	0.51	51.6	1.51	16.19	0.00	Sylvinitite
701.7	703.8	2.1	2.0	15.4	24.3	2.49	0.21	30.1	1.09	6.56	29.14	Boron bearing sylvinitite
703.8	706.7	2.9	n.d.	11.8	18.7	8.59	0.66	34.6	5.48	4.10	0.00	Carnallitite
742.0	752.3	10.3	n.d.	12.7	20.1	7.10	0.48	38.6	3.96	7.16	0.06	Carnallitite
773.5	775.6	2.1	2.1	36.6	57.9	1.53	0.00	51.9	0.00	11.21	0.00	Sylvinitite
775.6	797.0	21.4	n.d.	15.9	25.1	7.13	0.21	39.8	0.61	5.01	0.00	Carnallitite
797.0	800.4	3.4	n.d.	38.0	60.1	0.27	0.20	51.8	0.32	13.36	0.01	Sylvinitite

Note:

1. *n.d., not determined;*
2. *Where possible the true widths have been estimated from the dips of the potash horizons measured from the drill core, expect for those intervals that are apparently massive or that the structures are irregular;*
3. *Consecutive intervals and their grades are composited by means of length-weighted averaging using a composited cut-off grade of 10% K<sub>2</sub>O and minimum interval length of 1 m, with a tolerance grade above 6% K<sub>2</sub>O for lower grade intervals within a wide zone of higher grade mineralisation;*
4. *Conversion from K to K<sub>2</sub>O multiplies by 1.2047; K<sub>2</sub>O to KCl by 1.5837.*

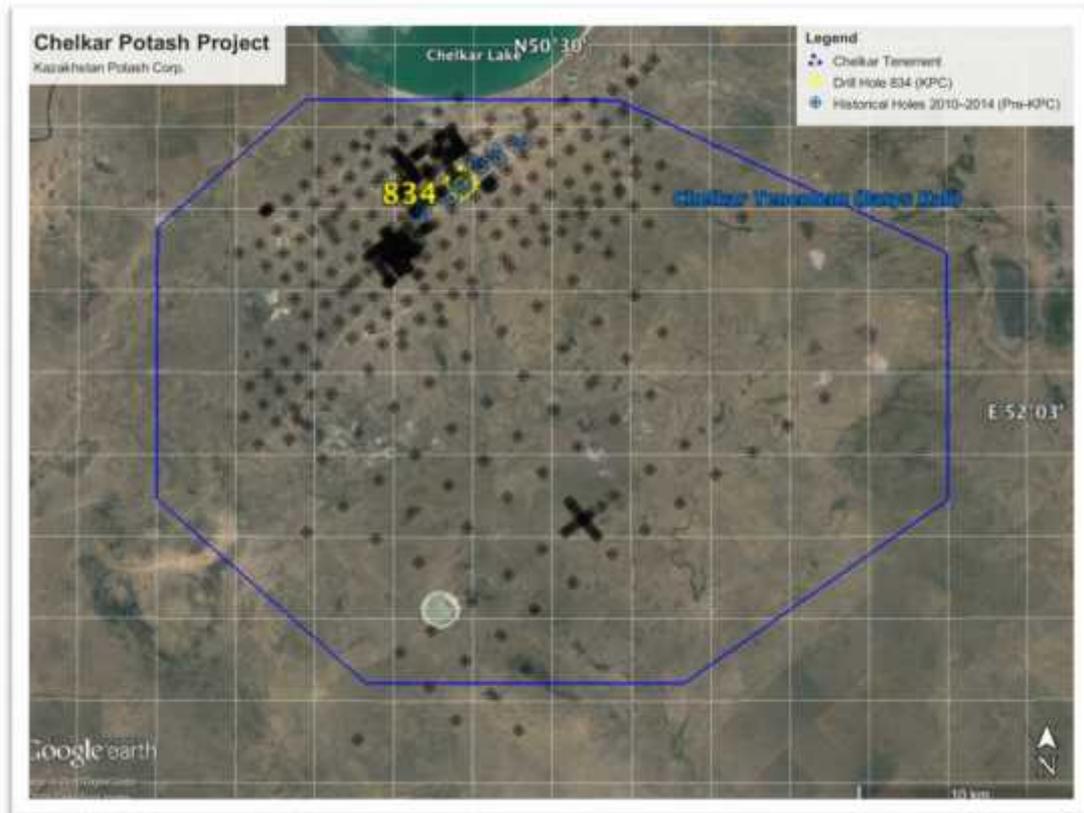
The Chelkar Project is located approximately 100 kilometres south east of the city of Uralsk in north-western Kazakhstan, and approximately 160 kilometres north of the Satimola Potash Deposit (Figure 2). The company has a subsoil use contract of approximately 779 sq. km covering a domal salt structure containing horizons of sylvinitite and carnallitite. Previous work on the project principally by geological teams from the former Soviet Union has identified a number of occurrences of potash mineralisation on the current contract area.



**Figure 2. Locations of KPC’s projects and the Satimola project in north-western Kazakhstan**

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The Chelkar project contains a significant amount of Soviet and recent, pre-KPC drill data that serve as a guideline to KPC's exploration strategy (Figure 3). Drill hole 834 reported in this announcement represents one of the 14 drill holes completed during the 2010–2015 exploration campaigns prior to KPC's ownership of the Chelkar Project, except for Drill Hole 834 which was completed and sampled in end 2014/early 2015 after the acquisition. Drill Hole 834 and other drill holes of the 2010–2015 exploration campaigns were subject to a vigorous QA/QC campaign to verify the data integrity.



**Figure 3. Chelkar tenement and drill collar locations**  
(Historical holes in 1955–1965 (black), and in 2010–2014 (blue))

KPC have recently received the final batch of the QA/QC and drill hole assay results (Activities Report - September Quarter 2016), which will be compiled in a technical report to be released in due course. The positive QA/QC results enabled us to use the historical data with confidence and report the assay data of Drill Hole 834.

Drill Hole 834 was drilled to a depth of 1100 m, confirmed the down dip projection of the evaporite sequence interpreted from historical data. The validated assay results indicate strong potash mineralisation open at depth. The potash mineralisation recovered in Drill Hole 834 contains both sylvinite and carnallite (Figure 1, Table 1, Appendix 1).

The Company is now interpreting the mineralisation continuity using the validated Drill Hole 834 assay results in conjunction with other historical data. Future work programs will be designed once a full interpretation of the new results is complete.

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Bankable Feasibility Study Advances for Satimola Project

On 27 January 2017, The Board of KPC announced that the Feasibility Study (“FS”) for the Satimola Potash Project (announced 4 October 2016) has been advancing steadily. The global consulting firm Tetra Tech has been leading the FS process and implementation in conjunction with the KPC and Satimola Limited operations committee which is overseeing the overall FS.

The Feasibility Study, as defined under the JORC 2012 Code, will provide detailed and comprehensive technical and economic studies of the Satimola Project, and will allow the KPC Board and potential development and financial partners to evaluate the Project.

The Satimola deposit is located in the West Kazakhstan Province, 220 km north of the Ural River port of Atyrau near the Caspian Sea and 70 km north of the town of Inderbor (Figure 1). It is currently understood to be one of the largest in Kazakhstan, containing JORC-compliant Indicated and Inferred potash Resources of 6 billion tonnes grading 15.5% K<sub>2</sub>O (Table 1).

**Table 1. Satimola potash Resources at 10% K<sub>2</sub>O cut-off**

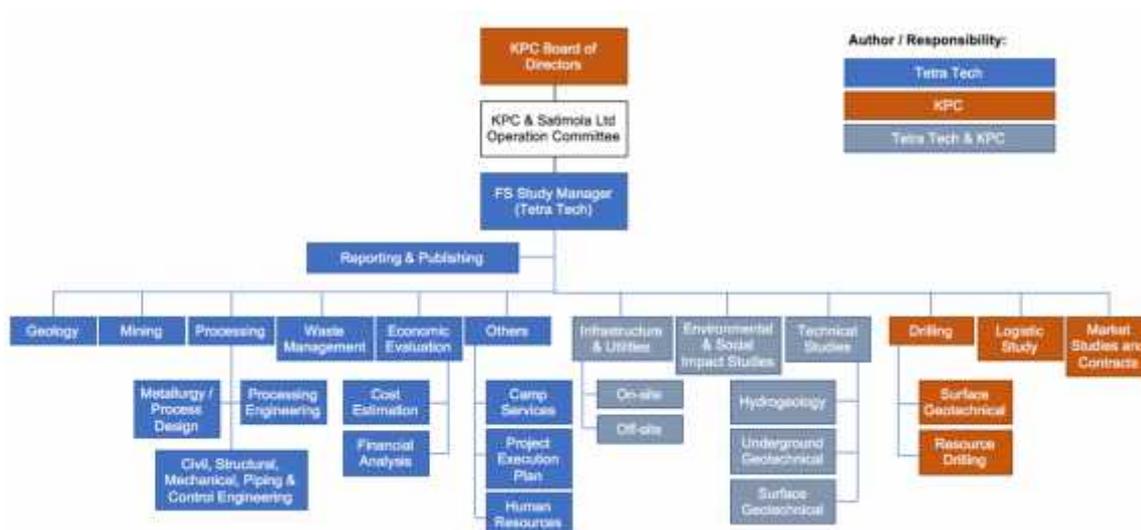
Mineral Resources (JORC)	Tonnes (million)	Grade (% K <sub>2</sub> O)
Indicated	3,100	16.2
Inferred	2,900	17.4
<b>Total</b>	<b>6,000</b>	<b>15.5</b>

*Note: KPC ASX release 1.12.2014, Satimola Independent Geological Report produced by Tetra Tech, December 2014; The Resources quoted have an effective date of 28th February 2011 and key assumptions are detailed in the Tetra Tech IGR, December 2014. Sylvinitic salt contributes a large proportion of the stated K<sub>2</sub>O Resource and a Resource update is underway as part of the FS*

The Satimola Project work had been progressed broadly under a Russian style feasibility study, which required additional work to bring to compliance with the JORC 2012 Code, which the current FS work in progress will address. Tetra Tech’s UK office together with team members from offices in Canada and Australia, will be responsible for the completion and sign-off of the FS report to JORC compliance.

The outcome of the study is designed to develop the project engineering to a sufficient level of detail to enable a capital and operating cost estimate to be developed with a target accuracy of plus/minus 15%.

The study (Figure 2) is investigating a number of aspects, from engineering to economics, including geology, geotechnical studies, hydrology, hydrogeology, trade-off studies, mining, processing, site infrastructure, site utilities, waste management, off-site infrastructure and utilities, camp services, environmental and social impact studies, cost estimation, market study, and project risk assessment.



**Figure 2. Satimola Project study team**

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A multi-purpose drilling campaign will be undertaken as part of the FS, for Resource infill drilling, geotechnical studies and hydrogeological studies.

The drilling results will be used to confirm the current geology and Resource interpretation. The updated Resource will form the basis of a mining study and Reserves estimation sufficient for a sustainable mining life.

The drilling will, as well de-risk early years of mining by reducing the distance between the proposed shaft locations and known areas of potassium salts, potentially bringing production forwards in schedule and improving the project economics.

At present, a number of assessments have been underway, including comminution test work, flotation test work, mine access trade-off study, mine design optimisation, process design evaluation and optimisation, bulk materials handling study, etc.

Further updates will be released to the market once the assessments are complete and the results reviewed.

KPC anticipates a preliminary delivery date of FS Q4, 2017 subject to the infill drilling schedule which will require approvals from local authorities in the West Kazakhstan Province. While the drill rigs are already at the Satimola site. KPC plans to commence the drilling in Q2/Q3 2017 subject to climatic conditions.

#### JV with Chongqing Material of Agricultural Production (Group) Co., Ltd – Operational

On 23 August 2016, KPC entered into a Joint Venture Agreement with the Chongqing Material of Agricultural Production (Group) Co., Ltd (CMAG) to develop a fertiliser logistics and distribution hub to supply all the major fertiliser producers in China. CMAG is a fully integrated agricultural enterprise throughout the agricultural value chain in China and is a subsidiary company of Chongqing municipal government.

The name of the Joint Venture is Chongqing Bright Road Industrial Co Ltd (CBRI).

Under the terms of the agreement, KPC will assist in sourcing financing and over time provide fertilisers from its projects in Kazakhstan. CMAG will provide the land and infrastructure for the hub creation and operation as well as their existing terminal and warehousing fertiliser facility located on the Yangtze River. This terminal includes an established rail link to China's national rail network as well as to the Chongqing-Xinjiang-Europe Railway system.

The newly formed joint venture initially begin its operation immediately prior to the new year and is focusing on fertiliser trading and logistics and is forecast to progress through the development timeframe of between 3 to 5 years with a view to become one of China's leading fertiliser logistic and trading company operating out of South Western China.

CBRI has only just completed its first full quarter of trading, and separately KPC will be providing a detailed update to the market on its activities.

#### Annual Report

The Annual Report for the calendar year 2016 was released to the market on 31 March 2017.

### **Exploration and Development**

#### Zhilyanskoye Project

The Zhilyanskoye Project is located approximately 5–10 km south west of the city of Aktobe in the north western region of the Republic of Kazakhstan. Power (gas and electricity), water, transportation (rail and road) as well as labour are all available within 10 km of the project giving the company a significant infrastructure advantage.

The deposit has JORC 2012 compliant Mineral Resources, estimated by SRK Consulting (Kazakhstan) Limited (SRK) as of 6 August 2013 for the sylvinite and polyhalite mineralisation:

- A total of 119.8 million metric tonnes (Mt) of Mineral Resources containing sylvinite mineralisation at the cut-off grade of 10% K<sub>2</sub>O:
  - Indicated Mineral Resources of 66.7 Mt grading 19.24% K<sub>2</sub>O,
  - Inferred Mineral Resources of 55.2 Mt grading 17.86% K<sub>2</sub>O; and
- A total of 987.7 Mt of Mineral Resources containing polyhalite mineralisation at the cut-off grade of 5% K<sub>2</sub>O:
  - Indicated Mineral Resources of 769.4 Mt grading 8.17% K<sub>2</sub>O,
  - Inferred Mineral Resources of 214.3 Mt grading 7.32% K<sub>2</sub>O.

(Source Kazakhstan Potash Corporation Limited Prospectus 28 January 2014)

No exploration activities have been undertaken on the project during the March Quarter. The Company has continued to re-assess the feasibility of the project and to optimise the resource and mining models, in response to the weakening of the potash markets.

During the March Quarter, the Company has continued to liaise with the Government of Kazakhstan for extending the evaluation period, i.e. delaying the commencement of the mining phase, and to prepare the relevant local documentation in support of the liaison. Once any arrangement with Kazakh authorities is reached, the Company will immediately inform the market.

#### Chelkar Project

The Chelkar Project is located approximately 100 km south of the city of Uralsk in north western Kazakhstan, and approximately 160 km north of the giant Satimola Potash Deposit which the Company is acquiring. Previous work on the project by geological teams from the former Soviet Union, and recent drilling by the Company's local subsidiary Batys Kali LLP has identified a number of occurrences of sylvinite and carnallite mineralisation in the area.

While no exploration activities have been undertaken during the March Quarter, the Company has continued to validate the existing drill data, including those of the Soviet era and the more recent, pre-KPC exploration, and continued to interpret the geology and mineralisation continuity in the Chelkar project. A relevant announcement was published on 5 January 2017.

A flotation test work on a sylvinite sample and other test work on the physical-mechanical and rheological properties of the potash ore and hanging wall materials have been on-going at the international laboratories. The Company looks forward to updating the market of any test work results, once available.

The Company, through Batys Kali, holds a sub-soil use contract (SSRC) for the exploration and development of the Chelkar potash and magnesium deposit. Whereas the SSUC is valid for 51 years since its initial granting on 11 December 2008, the previous exploration work program approved by the government of Kazakhstan ended on 11 December 2016.

The Company began its conversation with the government of Kazakhstan as early as July 2016 for bringing forward the incomplete technical studies to the following years. In January 2017, the Company officially submitted a work program for the period of 2017 and 2018, per the government's request.

The Company has been recently given an understanding that the review of the new work program is at its final stage; in the Company's estimation, an approval from the Kazakh authorities is within reach. The Company looks forward to informing the market once any result concerning the application of the exploration period extension is available.

List of Tenements

Project	Location	Tenement/Contract Number	Interest at Beginning of Quarter (%)	Interest at End of Quarter (%)
Zhilyanskoye	Aktobe, Aktobe Province, Kazakhstan	2891	95	95
Chelkarskoye (Chelkar)	Uralsk, West Kazakhstan Province, Kazakhstan	2889	95	95

**Competent Persons' and Responsibilities' Statement**

The information in this report in as much as that relates to the exploration activities of the Zhilyanskoye and Chelkar deposits has been compiled and reviewed by Mr Jacky Chan, Vice-President Mining and full time employee of the Company, and Dr George Ma, Exploration Manager and full-time employee of the Company. Mr Chan is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Geoscientists. Dr Ma is a member of the AusIMM and a Certified Professional Geologist with the American Institute of Professional Geologists. Mr Chan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Chan and Dr Ma consent to the inclusion in this report of the information in the form and context in which it appears.

**Share Capital**

There are currently 800,741,281 Kazakhstan Potash Corporation shares on issue. The following options in Kazakhstan Potash Corporation are currently on issue:

Expiry Date	Number of Options	Exercise Price
15 October 2017	45,000,000	\$0.10
7 January 2018	17,000,000	\$1.00
7 January 2018	17,000,000	\$1.50
2 June 2019	39,000,000	\$0.20
19 April 2020	92,424,400	\$0.055

**Relevant ASX Announcements for the March 2017 Quarter**

Date	ASX Announcement
05/01/2017	Chelkar - Assay High Grade Potash Mineralisation Present
27/01/2017	Bankable Feasibility Study Advances for Satimola Project
30/01/2017	Quarterly Cash-flow Report
30/01/2017	Quarterly Activities Report
31/03/2017	Annual Report to shareholders
31/03/2017	Appendix 4G

## About KPC

KPC is a mineral exploration company which owns the rights to two potash deposits in Kazakhstan, namely the Zhilyanskoye Project and the Chelkar Project and is also finalising the acquisition of the Satimola Project. It intends to develop all the three projects in Kazakhstan to full scale production.

KPC is a signatory of the Framework Agreement entered into under the auspices of the Kazakhstan and Chinese Governments as part of the 'One Belt, One Road' initiative in the region. Under the terms of the Framework Agreement KPC plans to build a potash production base in Kazakhstan drawing on its three projects, so as to meet China and Kazakhstan agriculture markets' demand for potash.

In advancing the Framework Agreement, KPC has a Joint Venture with the Chongqing Material of Agricultural Production (Group) Co., Ltd (CMAG) which is developing a fertiliser logistics and distribution hub to supply all the major fertiliser producers in China. CMAG is a fully integrated agricultural enterprise throughout the agricultural value chain in China and is a subsidiary company of Chongqing municipal government. The Joint Venture named Chongqing Bright Road Industrial Co Ltd (CBRI) and it recently began operating. In addition, KPC has partnered with KTZ Express the Kazakhstan national railway operator for shipment through Kazakhstan and to Chongqing in China.

## FURTHER INFORMATION

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