

31 October 2017

ASX Announcement September 2017 Quarterly Activities Report

Summary

- **New Satimola Limited Agreement**
- **Half Year Financial Accounts**

Corporate

New Satimola Limited Agreement

On 26 October 2017, the Board of Kazakhstan Potash Corporation Limited (ASX: KPC) (“KPC”) announced that it has entered into new agreement in relation to its proposed acquisition of all the shares on issue in Satimola Limited (“Satimola”). Satimola, through its wholly-owned entity, Satbor LLP (“Satbor”), holds the Satimola potash deposit in the Republic of Kazakhstan.

Under this new agreement:

1. The purchase price is US\$41 million and subject to regulatory approval with completion scheduled to occur within the next 9 months. The purchase price will be allocated to creditors and shareholders. \$US21m will be used to discharge current other Satimola liabilities. Shareholders of Satimola will receive US\$17m which will consist of two (2) parts, US\$10m in cash and the second part will be US\$7m in KPC Shares.
2. KPC will advance US\$1,500,000 to satisfy the principal of the Commercial Discovery Bonus Satimola liability to the Kazakhstan Taxation Authorities and take direct responsibility for the balance of the necessary funds. Also, KPC will pay US\$500,000 to Satimola to meet accrued working capital of Satimola and to meet on-going working capital requirements capped at US\$100,000 per month.
3. KPC has the option, subject to regulatory approval, to convert the advance into 35% of the issued capital of Satimola. However, if the proposed acquisition does not complete then, in certain circumstances, 25% of the issued capital of Satimola held by KPC, if KPC has exercised its option, will be cancelled or transferred for nominal consideration.
4. KPC is entitled to appoint two directors to the Board of Satimola and KPC must provide consent to the appointment of the Satbor general director.

Furthermore, KPC is planning to expeditiously finalise the Bankable Feasibility Study (“BFS”) for the Satimola project at KPC’s expense.

The Satimola Project

The Satimola deposit is located in the West Kazakhstan and 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% K₂O (Table 1).



Figure 1. Location of the Satimola Project in north-western Kazakhstan. Also shown are KPC’s two other potash projects in the region.

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Table 1. Satimola potash Resources at 10% K₂O cut-off

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

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.

Half Year Financial Accounts

On 25 August 2017, KPC lodged the half year with the ASX.

Exploration and Development

Summary

- **Chelkar – The application for the extension of the working program for an addition of 2 years is in its final status**
- **Zhilyanskoe – carrying out and compiling a report on the Program of Industrial Development (PID) as requested by the Ministry of Investment and Development of the Republic of Kazakhstan (MID)**

Chelkar Project

Following up the high-grade potash mineralisation drillhole intersections in Chelkar, the Company has applied for an extension of the working program for 2 additional years till the end of December of the Sub-soil use contract (SSRUC) of Chelkar to bring forwards the incomplete technical works, to get sufficient time to fully understand the mineralisation continuity and to come up with a JORC-compliance resources. MID has in principle agreed with the extension with condition precedents as preparation of an appendix listing out the work tasks to be carried out in the coming 2 years and submission of a Pre- Environmental Impact Assessment (Pre-EIA) in assessing the potential impact on the environment under the work plan.

IST-Eco LLP has completed the Pre-EIA report on Chelkar. It is believed that a meeting with MID's expertises for the Company to present the Pre-EIA report and the working programs will be held within a short period of time. The Company is confident that the extension will be granted.

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 sylvinitite and carnallitite mineralisation in the area.

No exploration activities have been undertaken during the September Quarter.

A flotation test work on a sylvinitite 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. Also, a Pre-EIA report related to the associated work program has been completed in October 2017. The Company is now waiting for the final meeting with MID to present the Pre-EIA report and the work program to their expertise. It is believed that 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.

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Zhilyanskoye Project

The Company is carrying out studies and in the progress of compiling a report for the PID which is report required before bringing the project into production stage.

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 sylvinitic and polyhalite mineralisation:

- A total of 119.8 million metric tonnes (Mt) of Mineral Resources containing sylvinitic mineralisation at the cut-off grade of 10% K₂O:
 - Indicated Mineral Resources of 66.7 Mt grading 19.24% K₂O,
 - Inferred Mineral Resources of 55.2 Mt grading 17.86% K₂O; and
- A total of 987.7 Mt of Mineral Resources containing polyhalite mineralisation at the cut-off grade of 5% K₂O:
 - Indicated Mineral Resources of 769.4 Mt grading 8.17% K₂O,
 - Inferred Mineral Resources of 214.3 Mt grading 7.32% K₂O.

(Source Kazakhstan Potash Corporation Limited Prospectus 28 January 2014).

No exploration activities have been undertaken on the project during the September 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.

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 of the Company. Mr Chan is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and a member of the Australian Institute of Geoscientists (AIG). 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 consents to the inclusion in this report of the information in the form and context in which it appears.

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Share Capital

There are currently 1,078,468,528 Kazakhstan Potash Corporation shares on issue. The following options in Kazakhstan Potash Corporation are currently on issue:

Expiry Date	Number of Options	Exercise Price
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
5 June 2020	60,000,000	\$0.10

Relevant ASX Announcements for the September 2017 Quarter

Date	ASX Announcement
31/07/2017	Quarterly Activities Report
31/07/2017	Quarterly Cash-flow Report
25/08/2017	Half Year Accounts

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. In addition, KPC has partnered with KTZ Express the Kazakhstan national railway operator for shipment through Kazakhstan and to Chongqing in China.

FURTHER INFORMATION

Dr Wei Jiafu
 Chief Executive Officer
 P: +61 3 9653 9020
 M: +61 (0) 418 306 078

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