

31 July 2019

## ASX Announcement June 2019 Quarterly Activities Report

### Corporate

#### Summary

- **Suspension from Official Quotation**
- **Annual Report Lodgement Delay**
- **Exit from DRC Projects Finalised**
- **Change of Company Address and Registered Office**
- **Director Appointment and Resignations**
- **Delay to Timing of Annual General Meeting**
- **Appointment of New Chairperson**
- **Satimola Limited Transaction Second Payment Tranche**
- **Conversion of CAR Fund Replacement Convertible Note and New CAR Fund Convertible Note**

#### Suspension from Official Quotation

On 1 April 2019, KPC was suspended from official quotation of the ASX. The suspension was due to late lodgement of the Annual Report for 2018.

The Company is in the process of finalising the Annual Report for 2018. It is anticipated that the Annual Report will be finalised and lodged very shortly after the proposed Extraordinary General Meeting to be called by the Board for shareholders to approve the conversion to fully paid ordinary shares in KPC for the revised CAR Fund Convertible Note for \$30 million. In addition, a new CAR Fund Convertible Note for \$10 million will also require shareholder approval (announced on 12 July 2019).

After the lodgement of the Annual Report for 2018 the Company will finalise the Notice of Meeting for the Annual General Meeting for lodgement with the ASX and ASIC. On or around that time, KPC will consult with the ASX and ASIC in relation to the process to lift the suspension from official quotation and advise the market accordingly.

#### Annual Report Lodgement Delay

On April 1, 2019 the Company informed the market that the lodgement of the Annual Report incorporating the Full Year Accounts for the period ending 31 December 2018 was delayed.

As indicated above, the Company expects to finalise and lodge the Annual report for 2018 after the proposed Extraordinary General Meeting relating to the CAR Fund Convertible Notes.

#### Exit from the Democratic Republic of Congo Projects Finalised

The Company advised on 5 April 2019 that it has finalised its exit from all its initiatives in the Democratic Republic of Congo (DRC), so it can focus its efforts on its three potash projects in Kazakhstan, namely the Zhilyanskoye, Chelkar and Satimola projects.

An agreement has been executed in relation to the termination of the acquisition of the 60% equity stake in Société MCC Resource SARL (MCC), (see ASX announcement 26 March 2018) which holds 100% of a Mining License 14068 (PE14068). The key terms of the agreement to exit from the Société MCC Resource SARL acquisition will see KPC cease all activity in the DRC and the cancellation of 82 million KPC shares, paid as part consideration to the MCC vendor by KPC. The share cancellation will be subject to KPC shareholder approval.

The agreement with MCC to terminate the acquisition is in addition to not proceeding any further with the Memorandum of Understanding (MoU), signed with Mining Mineral Resources SARL to acquire 51% of the

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Malemba Lithium Project, and, the MOU signed with La Société Katanga Copperbelt Mining SA to acquire 51% of the Kikata North and Mifumbi Copper-Cobalt Projects (see ASX announcement 22 February 2019).

#### Change of Company Address and Registered Office

On 8 May 2019, the KPC announced that the registered office of the Company is located at Suite 803, Level 8, 15 Help Street, Chatswood 2067, New South Wales. Phone: 02 9884 8284.

#### Director Appointment and Resignations

On 5 July 2019, the Company appointed Mr Yu Sun to the position of Executive Director. Mr Sun has worked in financial services for major international financial institutions for 25 years. Mr Sun is an expert in the area of international financial business and international economic diplomacy.

Mr Sun has extensive experience in investment banking having served as Director of Australia United Investment Corporation, Managing Director of UBS Group Wealth Management, Executive of the World Bank Urban Development Foundation and Vice President of the Asian Development Investment Bank.

Mr Sun holds a Master's Degree in Finance and a Doctorate (PHD) in Economics from the University of New South Wales.

Mr Grant Thomas resigned on 8 May 2019 from his position of Executive Director of the Company. Mr Marco Marcou resigned his position of Executive Director and Company Secretary of KPC effective as of 30 May 2019.

#### Delay to Timing of Annual General Meeting

On 21 May 2019, KPC lodged an application with ASIC requesting an extension to hold the Annual General Meeting in late July 2019, sighting Annual Report lodgment delays. Unfortunately, after considering the application, ASIC has made a decision in-principle to refuse the relief sought by the Company.

When the Company has completed and lodged the Annual Report 2018 (see above), it will then consult with ASIC in relation to a new time for the Annual General Meeting to be held and advise the market of the revised time.

#### Appointment of New Chairperson

After a short absence from the role, on 5 July 2019, Madam Cheung was appointed as Executive Chairperson of the Company by the Board of Directors.

#### Satimola Limited Transaction Second Payment Tranche

On 24 October 2018, KPC announced that it that it has made a General Offer for Satimola Limited ("Satimola"). Satimola, through its wholly-owned entity, Satbor LLP ("Satbor"), holds the Satimola potash deposit in the Republic of Kazakhstan. On 14 November 2018, KPC announced that the minimum threshold it set in relation the General Offer, for Satimola Shareholders, Converting Note Holders and Creditors was achieved.

As outlined in the General Offer (announced 24 October 2018), in November 2019, the first of three tranche payments was made to Satimola Shareholders, Converting Note Holders and Creditors who were participants in the General Offer.

In May of this year, the second of the three tranche payments was progressively made to Satimola Shareholders, Converting Note Holders and Creditors who were participants in the General Offer. The second tranche payments to all participants in the General Offer is expected to be finalized on or around the end of July 2019.

The second tranche payments now bring the aggregate payments to the General Offer participants to 75% of the aggregate cash offer. The third and final tranche of 25% of aggregate cash payments which completes the transaction with the participating Shareholders, Converting Note Holders and Creditors in the General Offer is due on or before November 15 of this year.

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To date, circa 74% of Satimola Shareholders, 98% of Converting Note Holders (by value) and over 95% of Creditors (by value) accepted the General Offer.

On 16 November KPC announced that at the Board of Directors meeting of Satimola, that the KPC representatives on the Board constituted a majority of Board members and had taken control of the Company going forward.

The Satimola Board appointments are associated with the completion processes related to the minimum acceptance of the General Offer (announced by KPC on 24 October 2018 and 14 November 2018), for Satimola Shareholders, Converting Note Holders and Creditors.

KPC continues the completion of the processes associated with the General Offer and will advise the market in regard to its progress and finalization in due course.

#### Conversion of CAR Fund Replacement Convertible Note and New CAR Fund Convertible Note

On 11 July 2019, agreement was reached between the Company and the China-Asia Resources Fund in relation to the conversion to KPC shares, the CAR Fund Replacement Convertible Notes valued at \$30 million as approved by shareholders at the Annual General Meeting on 29 May 2017 and issued by KPC to CAR Fund on or about 5 June, 2017.

KPC and CAR Fund have agreed to convert all of the Replacement Convertible Notes into fully paid ordinary shares (Shares) in the capital of KPC at a conversion price of \$0.02 per share. Accordingly, the number of Shares to which CAR Fund is entitled upon conversion of the Notes is 50 Shares for each Note converted (1 Note = \$1.00). Apart from the Shares, no other securities of KPC will be issued on conversion of the Notes.

The conversion of the Replacement Convertible Notes is subject to shareholder approval at a General Meeting which will be called by KPC in due course.

In addition, agreement was reached with the CAR Fund to enter into a new Convertible Note agreement totaling \$10 million (1 Note = \$1.00), subject to shareholder approval.

The funding will be used to finalize the Satimola Limited acquisition and working capital.

Under the terms of the new agreement, the payment by the CAR Fund is as follows:

- \$1,000,000 will be paid as a deposit on or around 31 July 2019;
- \$4,000,000 will be paid within three (3) working days from the date of shareholder approval; and
- \$5,000,000 will be paid within ninety (90) days from the date of shareholder approval.

The new CAR Fund Convertible Note will be for a three (3) year period.

If shareholder approval is not obtained, then the Company and the CAR Fund will agree a repayment schedule for the deposit.

In accord with the terms of the Replacement Convertible Notes, the CAR Fund can convert the new Convertible Notes into fully paid ordinary shares in the capital of KPC at a conversion price of \$0.02 per share. In addition, KPC will issue 40 Options for each Note, at \$0.025/Option, that will be valid for the three (3) year term.

The Board of KPC will seek shareholder approval at a General Meeting which will be called in due course.

### **Exploration and Development**

#### Chelkar Project

KPC, through Batys Kali, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Chelkar potash and magnesium deposit. Whereas the SSRUC is valid for 51 years since its initial granting was on 11 December 2008.

The Chelkar Project is located approximately 100 km south of the city of Uralsk in north western Kazakhstan. 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 mineralization in the area.

SSRUC related compliance and associated activities continue on the project during the June Quarter.

#### Zhilyanskoye Project

KPC, through Batys Kali, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Zhilyanskoye potash deposit. Whereas the SSRUC is valid for 48 years since its initial granting was on 11 December 2008.

The Zhilyanskoye Project is located approximately 5-10 km south west of the city of Aktobe in the north western region 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 as of 6 August 2013 for the sylvinite and polyhalite mineralization:

- A total of 119.8 million metric tonnes (Mt) of Mineral Resources containing sylvinite mineralization at the cut-off 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 mineralization at the cut-off grade of 5% K<sub>2</sub>O:
  - Indicated Mineral Resources of 769.4 Mt grading 8.1% 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).

SSRUC related compliance and associated activities continue on the project during the June Quarter.

#### Satimola Project

On 24 October 2018, the Board of KPC announced that it that it has made a General Offer for Satimola Limited ("Satimola"). Satimola, through its wholly-owned entity, Satbor LLP ("Satbor"), holds the Satimola potash deposit in the Republic of Kazakhstan.

On 14 November 2018, KPC announced that the minimum threshold it set in relation the General Offer for as announced on 24 October 2018, for Satimola Shareholders, Converting Note Holders and Creditors was achieved.

KPC continues the completion of the processes associated with the General Offer and will advise the market in regard to its progress accordingly.

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. 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
Total	6,000	15.5

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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.

#### Planned Activities

The activities planned for the course of the next 12 months are focused on continuing the development of Kazakhstan projects.

**Zhilyanskoye Project:** as announced by the Company on 25 March 2019, ordinary shares were issued for expert mining consultants who will provide and implement specialist mining technology for application to the development of the Kazakhstan projects via a pilot mining study. The approach they will be using is termed selective solution mining and has been funded by the issued shares, with some external support by local mining consultants.

**Chelkar Project:** a further extension of the exploration period for an additional 12 months has been discussed with the MID who have been very supportive. The development plans for the rest of the year will center on a JORC resource determination and a jurisdictional compliant feasibility study.

**Satimola Project:** Company plans are to:

- Conduct a full review with the objective of ramping up the revised development plan in the latter part of the year for lodgment and approval by the regulatory authorities;
- Complete the current transaction; and
- Settle all the liabilities.

#### 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 completed 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 (MAIG). Mr Chan has sufficient experience that is relevant to the style of mineralization 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.

#### Share Capital

There are currently 1,619,210,993 Kazakhstan Potash Corporation shares on issue. The following options in Kazakhstan Potash Corporation are currently on issue:

Expiry Date	Number of Options	Exercise Price
19 April 2020	92,424,400	\$0.055
5 June 2020	60,000,000	\$0.10

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**Relevant ASX Announcements for the June 2019 Quarter**

<b>Date</b>	<b>ASX Announcement</b>
01/04/2019	Suspension from Official Quotation
01/04/2019	Full Year Accounts Lodgement Delay
05/04/2019	Exit from DRC Projects Finalised
08/05/2019	Change of Company Address and Registered Office
08/05/2019	Director Resignation
08/05/2019	Final Director's Interest Notice
24/05/2019	Executive Director and Company Secretary Resignation
30/05/2019	Final Director's Interest Notice
08/07/2019	Board Update
08/07/2019	Initial Directors Interest Notice
12/07/2019	Market Update

**FURTHER INFORMATION**

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