

12 June 2020

ASX Announcement
December 2019 Quarterly Activities Report

Corporate

Summary

- CAR Fund Convertible Note
- Exit from Chongqing Bright Road Industrial Co Ltd Joint Venture
- Director appointments and resignations

CAR Fund Convertible Note

On 5 December 2019, revised terms in relation to the China-Asia Resources Fund (CAR Fund) \$30 million Convertible Notes were agreed between the CAR Fund and KPC, with a Term Sheet executed by both parties. Under the terms of the new agreement the CAR Fund, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note (\$1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the new Convertible Note for a four-year period, the CAR Fund (or its nominee) will be issued 1.5 billion fully paid ordinary shares in the Company. The agreement is subject to shareholder approval.

Exit from Chongqing Bright Road Industrial Co Ltd Joint Venture

On 26 December 2019, KPC sold its interest in its joint venture in Chongqing Bright Road Industrial Co Ltd Joint with Chongqing Material of Agricultural Production (Group) Co Ltd. The Board determined that KPC should focus its efforts on its potash projects in Kazakhstan and therefore reached agreement to sell its interest in the joint venture. The transaction was for \$1.5 million.

Director appointments and resignations

- On 11 November 2019, the Company appointed Mr Yuanzhi Jiang as a Non-Executive Director. Mr Jian has over 25 years of experience in the banking industry. He has served China Construction Bank since 1993 where he was appointed as assistant general manager of the International Business Department in Guanzhou, Chief Representative in New York Representative Office of China Construction Bank (New York Branch) and General Manager of the Investment Banking Department. Mr Jiang holds a Bachelor's degree in Economics from Shandong University Economics School and an MBA in Finance from Stern Business School of New York University.
- On 28 November 2019, Mr Hao Chen was appointed as a Director of the Company. Mr Chen has over 15 years working experience in Central Asia. He has successfully served as General Representative of CITIC International Co Ltd's representative office in Turkmenistan, General Manager of Karazhanbasmunai Company branch, Executive Deputy General Manager of Caspi Bitum Company, First Vice-President of Karazhanbasmunai Company. Mr Chen has built extensive experience in the field of mining resources and energy in Central Asia. Mr

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Chen graduated from Beijing Foreign Studies University with a bachelor degree, a masters degree from the Yessenov University of Kazakhstan, and a doctor degree in Business Administration from the Narxos University of Kazakhstan.

- Madam Cheung was appointed as Managing Director of the Company replacing my Liu Senlin on 10 December 2019.
- Mr Dong Xie resigned on 8 November 2019 from his position as a Non-Executive Director of the Company.
- Mr Liu Senlin resigned on 10 December 2019 from his role as Managing Director.
- Ms Jaylin Xiaorong Mao resigned on 10 December 2019 from her role as Director.
- Mr Sun Yu resigned on 30 December 2019 from his role as Director.

Exploration and Development

Satimola Project

The Satimola Project is located approximately, 220 km north of the Ural River Port of Atyrau, and 70 km north of the town of Inderbor. The Sub soil Resources Use Contract (SSRUC) is held by Saltbor LLP (Satbor) a wholly owned subsidiary of KPC. Protracted negotiations with the former owners of Saltbor were finally concluded in 2018 (refer ASX announcement 16/11/ 2018 “KPC Takes control of Satimola Limited Board”)

The SSRUC was granted on the 19th April 2004 for a term for 27 years. On the 5th February 2015 the Ministry of Investment and Infrastructure Development (MID) issued the company mining rights to the licence following successful completion of the exploration phase.

Due to weakening of the worldwide fertiliser market, the company applied to vary the project development plan to investigate more economical mining and processing method including solution mining instead of shaft sinking. This engineering work is ongoing and the company hopes to present a revised feasibility study and Environmental Impact Statement to MID later in the year.

The company has a small camp facility on site which is currently under care and maintenance and it continues to meet its obligations under the SSRUC, including undertaking baseline environmental monitoring.

Zhilyanskoye Project

The Zhilyanskoye Project is located approximately 5-10 km south west of the regional centre of Aktobe in the western region of Kazakhstan. The project is ideally located with infrastructure including power (gas and electricity), water, road, rail services and labour are all accessible from Aktobe. The SSRUC is held in the name of Batys Kali SSP (Batys) a wholly owned subsidiary of KPC. The SSRUC for the project was granted on the 11 December 2008 for a term of 48 years. Negotiations with MID and the Aktobe regional government in relation to the boundaries of the licence are ongoing.

The company is currently in negotiations with the MID to execute the relevant agreements to transition the project from the exploration phase to mining.

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During this time the company continues to fulfil its compliance obligations under the licence.

Chelkarskoye (Chelkar) Project

The Chelkar Project is located in north western Kazakhstan approximately 100 km south of the City of Uralsk and approximately 100 km north of the company's Satimola Project. The SSRUC is held by Batys and was issued on 11 December 2008 for a term of 51 years. The licence remains in the exploration phase with the company in negotiations with MID seeking the necessary agreements to extend the exploration phase. During this time the company continues to fulfil its compliance obligations under the licence.

Resources

Extensive resources of Potash including Sylvinite and Polyhalite ore types have been defined at both Satimola and Zhilyanskoye. The initial discovery and early exploration were completed government departments during the former Soviet Union. Since the grant of the SSRUC's the companies have completed additional drilling and test work in order to upgrade the resources to JORC 2012 reporting standards which were calculated by international resources consultancies Tetra Tech WEI Inc and SRK Consulting (Kazakhstan).

The resources for the two deposits are tabulated below

	Sylvinite		Polyhalite		Undefined	
	Tonnes (Mt)	K ₂ O (%)	Tonnes (Mt)	K ₂ O (%)	Tonnes (Mt)	K ₂ O (%)
Cut off grade		10		5		10
Satimola (1)						
Indicated					3,100	16.2
Inferred					2,900	14.7
Zhilyanskoye (2)						
Indicated	66.0	19.24	769.4	8.1		
Inferred	54.7	17.86	214.3	7.32		
Totals	119.8	18.61	983.7	7.99	6,000	15.5

¹ Refer ASX announcement 1/12/2014 "Satimola Geological Report" prepared by Tetra Tech. Key assumptions relating to the calculation are outlined in the announcement. No material additional work has been completed on the deposit that would change the calculations.

ge the calculations.

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2 Refer Prospectus released to the ASX dated 28th January 2014. Key assumptions relating to the calculations detailed in the Independent Geologists Report included in the prospectus. No material additional work has been completed on the deposit that would change the calculations.

List of Tenements

Project	SSRUC Number	Ownership	Interest at beginning of Quarter	Interest at end of Quarter
Satimola	1391	Satbor LLP	74%	74%
Zhilyanskoye	2891	Bayts Kali LLP	95%	95%
Chelkarskoye	2889	Bayts Kali LLP	95%	95%

The remaining 5% interest in the Zhilyanskoye and Chelkarskoye projects licences is held by a Kazakhstan Government managed regional economic development fund.

Competent Person Statement

The information in this report in as much as it relates to the exploration activities on the projects has been compiled and reviewed by Mr James Guy. Mr Guy was employed by Fortis Mining Limited (now KPC) between 2011 and 2012 and was engaged as a consultant to the company between March 2012 and July 2015 and worked on the Zhilyanskoye and Chelkarskoye Deposits. Mr Guy is a member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Guy has sufficient experience in the style of mineralisation and deposit type 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 Guy gives consent to the inclusion of the information in the form and context in which it appears

Release authorised by:

Andrew Chan

Company Secretary

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