

12 June 2020

ASX Announcement
March 2020 Quarterly Activities Report

Corporate

Summary

- New CSWI Convertible Note
- New HLL Convertible Note
- Share allocation from Satimola Rights Issue completed
- Litigation by former director
- Director appointments and resignations

CWSI Convertible Note

On 31 December 2019, the Company entered into a \$6.5 million Convertible Note agreement with the CWSI Group Limited (CWSI). The key terms of the Convertible Note are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. KPC can draw down against the \$6.5 million. To date, KPC has drawn down \$6.5 million which has been used for liabilities on the Kazakhstan projects, payments in relation to the Satimola Limited transaction, Kazakhstan project development and general working capital. CWSI, 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, CWSI (or its nominee) will be issued 325 million fully paid ordinary shares in the Company. The agreement is subject to shareholder approval which was granted at the Company's annual general meeting on 18 May 2020.

HLL Convertible Note

On 15 February 2020, the Company entered into a \$3.5 million Convertible Note agreement with the Harvest Leader International Limited (HLL). The key terms of the Convertible Note are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. HLL agreed to make available funds up to \$3.5 million to the Company on application which has not been drawn down on to date. HLL, 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, CWSI (or its nominee) will be issued 175 million fully paid ordinary shares in the Company. The agreement is subject to shareholder approval which was granted at the Company's annual general meeting on 18 May 2020.

Satimola Rights Issue

Between November – December 2018 a Rights Issue was conducted under the Satimola Limited terms of the Memorandum and Articles of Association. In January 2020, the share allocation from

the Rights Issue was completed and registered. At the conclusion of the Rights Issue the share capital owned by KPC Fortis Fertilizer Limited (a 100% owned subsidiary of KPC) equated to 96%.

Litigation from former Director

On or around 27 February, the Company was served a statement of claim (SoC) by former director Mr Senlin Liu. The SoC makes various claims for repayments of interest and principal pursuant to various loans. It also makes claims for remuneration for services performed and provided by Mr Liu to the Company. The matter is before the Courts and the Company is defending the claims rigorously as well as preparing to file a cross-claim. Further, in the case of the Company not succeeding in defending the claim, provision has been made in the budget for any loan repayments required. Shareholders will be kept informed of any material developments.

Director appointments and resignations

On 2 March 2020, the Company appointed Mr Junheng Li as Chief Executive Officer in addition to his Executive Director role. In his new role, Mr Li will oversee and have responsibility for the development and implementation of the operation of the three Kazakhstan projects.

Mr Li has built a strong career in logistics over the past 30 years in China. He is currently the Chairperson of Heilongjiang Zhongxin Warehousing and Transportation Logistics Co, Ltd and Managing Director of both the China Association of Port-of-Entry and Logistics Association of China.

On 1 March 2020, the Company appointed Mr Andrew Chan to the role of Company Secretary and Director. Mr Chan has a background as a corporate and commercial lawyer with over 15 years' experience. He has worked in private practice and in-house in a variety of roles. He is an experienced Company Secretary and has held directorships of ASX listed companies.

He holds a Bachelor of Arts from the University of Sydney and a Bachelor of Laws from Bond University.

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.

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.

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%	96%
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