

Kore Potash Plc

("Kore Potash" or the "Company")

FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2020

Kore Potash, the potash exploration and development company whose flagship asset is the 97%-owned Sintoukola Potash Project ("Kola" or the "Kola Project"), located within the Republic of Congo ("RoC"), is pleased to provide its financial statements for the half year ended 30 June 2020 (the "Period"). The full report, with accompanying notes, is available for download on the Company's website: <https://korepotash.com/investors/results-and-reports/>.

HIGHLIGHTS

- The Dougou Extension ("DX") Pre-feasibility Study ("PFS") results were published on 13 May 2020 with the following highlights:
 - A Maiden Sylvinitic Ore Reserves of 17.7 Mt at a grade of 41.7% KCl was declared.
 - Nameplate production target of 400,000 tpa MoP over an initial 18-year life based on Probable Ore Reserves.
 - Real ungeared post tax IRR of approximately 22.9% and NPV₁₀ (real) of approximately USD319 million on an attributable basis at life-of-mine average MoP price for granular product of USD422/t MoP (Argus Media's price forecast for DX Project's target markets).
 - Initial pre-production capital cost of approximately USD286 million (real 2019), including contingency.
 - Free on Board ("FOB Pointe Noire") costs of USD86.61/t MoP.
 - Annual average EBITDA of USD118 million.
- The Minister of Environment of the ROC approved, on 31 March 2020, extensions of environmental approval period to 25 years for Kola and Dougou Mining licences.
- Cash and cash equivalents, at 30 June 2020 was USD1,839,826.
- Exploration and evaluation asset at 30 June 2020 was USD159,552,021 an increase of USD3,532,661 from USD156,019,360 at 31 December 2019.
- On 27 June 2019, the Company announced a cost reduction strategy which saw some or all of the non-executive directors' fees be paid through the issue of fully paid ordinary shares in the Company in lieu of cash payments. On 21 January 2020, the Company issued 3,811,398 ordinary shares to certain non-executive directors in lieu of USD58,416 cash fees for the quarter ended 31 December 2019. For the quarter ended 31 March 2020, the Company issued 7,770,939 ordinary shares on 7 April 2020 in lieu of USD58,416 cash fees to certain non-executive directors.
- In line with the cost reduction strategy, directors' remuneration, salaries, employee benefits, consultancy expense, listing and other administration expenses have decreased from a total of USD1,641,390 for the period ended 30 June 2019 to USD1,334,614 for the period ended 30 June 2020.
- The impact of the Coronavirus ("COVID-19") on the Company's operations has been limited and it is currently envisaged that it will not have a material impact on the operations.

POST PERIOD HIGHLIGHTS

- On 26 August 2020, the Company announced a conditional Proposed Fundraise. Subject to approval by shareholders at the forthcoming General Meeting of the Company to be held on 18 September 2020, a total of 946,106,375 new Ordinary Shares will be issued at the placing price of 0.65p for a total value of approximately USD8 million. As part of the Proposed Fundraise, the Company is also intending to enter into a Technical Services Agreement with its major shareholder, Sociedad Quimica y Minera, S.A. (“SQM”) , for SQM to provide certain services to the Company in connection with the first phase of the Definitive Feasibility Study (“DFS”) for DX for a total value of USD540,000 to be satisfied by the issue and allotment of 63,417,499 new ordinary shares at a price of 0.65p on completion of the relevant services. A circular containing the formal notice of meeting has been dispatched to the Company’s shareholders.

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OPERATIONAL ACTIVITIES

Dougou Extension Sylvinite Preliminary Feasibility Study

During the half year, the Company released its PFS on the DX project. The Company reported the following highlights:

Strong Financial Outcomes

- Nameplate production target of 400,000 tpa MoP over an initial 18-year life based on Probable Ore Reserves.
- Average annual EBITDA of USD118 million.
- Average annual post construction, post-tax, free cash flow of approximately USD95 million.
- Approximately 4.3 years post-tax payback period from first production.
- Real ungeared post tax IRR of approximately 22.9% and NPV10 (real) of approximately USD319 million on an attributable basis at life-of-mine average MoP price for granular product of USD422/t MoP (Argus Media's price forecast for DX Project's target markets).

Low capital cost and short construction period improve financing options

- Initial pre-production capital cost of approximately USD286 million (real 2019), including contingency.
- Short construction period of 21 months.

Competitive costs to supply MoP to target markets

- Low average mine gate operating costs of USD65.26/t MoP.
- FOB Pointe Noire costs of USD86.61/t MoP
- Average cost of MoP delivered to target markets of approximately USD114.61/t MoP.

High quality Ore Reserves and Mineral Resources

- Sylvinite Ore Reserves of 17.7 Mt at a grade of 41.7% KCl.
- Grade of the Ore Reserves is in the top quartile of all operating potash mines and potash development projects globally.
- Total sylvinite Mineral Resources of 145 Mt at a grade of 39.7% KCl.

Further upside potential

- Ore Reserves tonnage represent 22% of the Indicated Mineral Resources tonnage.
- Inferred Mineral Resources of 66 Mt at a grade of 40.4% KCl not included in the study.
- Additional exploration drilling and/or seismic surveys in the future may support classification of portions of the additional Mineral Resources of 127.3 tonnes at 39.4% KCl as Ore Reserves.

Next steps

Planning for the DFS is expected to be finalised to enable commencement of the work programme in the quarter ahead. There were no mining production or construction activities during Q2 of 2020.

Environmental and social impact assessment for Kola ("ESIA")

The Minister of Tourism and Environment of the RoC issued certificates on 31 March 2020 granting a 25-year approval period for the ESIA's for both the Dougou and the Kola Mining Licences. This approval aligned with the provisions of the Mining Convention in place between the Government and Korea and eliminated the previous requirement for annual re-approvals. The Company plans in the future to seek approval for amendments to the ESIA for the Dougou Mining Licence to include the planned mining and processing of the DX sylvinite Deposit which sits within the Dougou Mining Licence.

Mining Convention and Research Convention

- The Company continues to engage with the RoC Government on the implementation of commitments contained within the Mining Convention. This includes the intra-group transfer of the Dougou Mining Licence from Sintoukola Potash S.A. to the operating entity Dougou Potash Mining S.A. and the transfer of a 10% shareholding in Kola Potash Mining S.A. and Dougou Potash Mining S.A. to the State.
- The Company further progressed discussion with the RoC Government on terms and conditions for a Mining Research Convention covering the Sintoukola 2 exploration license. This convention is required to be negotiated in advance of any exploration activity.

Impact of Coronavirus (COVID-19)

- In the RoC, the State of Health Emergency remained in force throughout the month of July. An announcement on 24 July 2020 has implemented a 14-day quarantine for all visitors to the ROC;
- The in-country team has implemented social distancing, wearing of masks, temperature monitoring and hand sanitisation procedures at the camp;
- All potential future in-country workers will be required to undergo a COVID-19 test before being employed;
- An isolation facility for any workers that contact COVID-19 is being assessed in the camp prior to the commencement of any new activities;
- Kore maintained full business continuity in the RoC in Pointe Noire and at Koutou through teleworking, company transportation for employees and controlled access to facilities to ensure full attendance;
- Assistance to local schools in the project impact zone was provided (masks, hand washing equipment).

Exploration activity

- No field-work exploration activities were undertaken during the period.

Going Concern

The 30 June 2020 half-yearly report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. In determining the appropriateness of the basis of preparation, the directors have considered the impact of the COVID-19 pandemic on the position of the Group at 30 June 2020 and its operations in future periods.

For the period ended 30 June 2020 the Group recorded a net loss of USD1,320,961 (30 June 2019: USD1,176,783) and at 30 June 2020 had a net working capital of USD1,452,188 (31 December 2019: USD4,955,231). The Group also recorded a net cash used in operating activities for the period ended 30 June 2020 of USD1,367,781 (30 June 2019: USD1,528,378).

Based on the Group's cash flow forecast the Group will need to access additional working capital in the next 12 months to advance its exploration projects and to ensure the realisation of assets on an orderly basis and the extinguishment of liabilities as and when they fall due.

On 26 August 2020, the Company announced the successful completion of the conditional Proposed Fundraise. Subject to approval by shareholders at the forthcoming General Meeting to be held on 18 September 2020, a total of 946,106,375 new Ordinary Shares will be issued at the placing price of 0.65p for a total value of approximately USD8 million. As part of the Proposed Fundraise, the Company also intends to enter into a Technical Services Agreement with its major shareholder, SQM, for SQM to provide certain services to the Company in connection with the first phase of the DFS for a total value of USD540,000 to be satisfied by the issue and allotment of 63,417,499 new ordinary shares at a price of 0.65p on completion of the relevant services. A circular containing the formal notice of meeting has been dispatched to the Company's shareholders.

The directors note that the announced Proposed Fundraise remains subject to shareholder approval and therefore has not been completed at the date that these interim financial statements were approved. The directors are confident that the Group will be successful in raising additional funds through the issue of new equity. However, should the Proposed Fundraise not be successfully completed, the directors would need to raise the necessary funds either by a separate equity raise, debt or the sale of assets.

Based on these facts, the directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Company not be successful in completing the Proposed Fundraising through the issue of new equity, there is a material uncertainty which may cast significant doubt whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED 30 JUNE 2020

	6 months ended 30 June 2020 USD Unaudited	6 months ended 30 June 2019 USD Unaudited	Year ended 31 Dec 2019 USD Audited
Directors remuneration	(279,640)	(422,388)	(828,445)
Equity compensation benefits	71,556	(144,956)	(907,102)
Salaries, employee benefits and consultancy expense	(522,926)	(447,084)	(1,687,419)
London listing and re-domicile expenses	(30,065)	(10,490)	(49,675)
Administration expenses	(573,539)	(616,472)	(1,245,041)
Fair value change of a derivative financial liability	1,027	482,274	502,345
Interest income	27,468	18,992	52,936
Interest and finance expenses	(9,760)	(6,732)	(15,393)
Net realised and unrealised foreign exchange loss	(6,056)	(10,959)	(682)
Loss before income tax expense	<u>(1,321,935)</u>	<u>(1,157,815)</u>	<u>(4,178,476)</u>
Income tax income/(expense)	974	(18,968)	(24,276)
Loss for the period	<u>(1,320,961)</u>	<u>(1,176,783)</u>	<u>(4,202,752)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences gain/(loss) on translating operations	<u>1,161,844</u>	<u>(655,659)</u>	<u>(3,104,632)</u>
Other comprehensive loss for the period	<u>1,161,844</u>	<u>(655,659)</u>	<u>(3,104,632)</u>
Total comprehensive loss for the period	<u>(159,117)</u>	<u>(1,832,442)</u>	<u>(7,307,384)</u>
Loss attributable to:			
Owners of the Company	(1,344,225)	(1,175,521)	(4,204,007)
Non-controlling interest	<u>23,264</u>	<u>(1,262)</u>	<u>1,255</u>
	<u>(1,320,961)</u>	<u>(1,176,783)</u>	<u>(4,202,752)</u>
Total comprehensive loss attributable to:			
Owners of the Company	(182,381)	(1,805,272)	(7,308,639)
Non-controlling interest	<u>23,264</u>	<u>(27,170)</u>	<u>1,255</u>
	<u>(159,117)</u>	<u>(1,832,442)</u>	<u>(7,307,384)</u>
Loss per share			
Basic and diluted loss per share (cents per share)	(0.09)	(0.14)	(0.36)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	30 June 2020 USD Unaudited	30 June 2019 USD Unaudited	31 Dec 2019 USD Audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,839,826	1,040,969	7,578,727
Restricted cash	-	684,160	-
Trade and other receivables	284,306	568,059	358,954
Right-of-use asset	-	-	42,278
Total Current Assets	<u>2,124,132</u>	<u>2,293,188</u>	<u>7,979,959</u>
Non-Current Assets			
Trade and other receivables	178,846	129,357	198,432
Right-of-use asset	-	129,055	-
Property, plant and equipment	520,071	271,723	560,711
Exploration and evaluation expenditure	<u>159,552,021</u>	<u>153,374,657</u>	<u>156,019,360</u>
Total Non-Current Assets	<u>160,250,938</u>	<u>153,904,792</u>	<u>156,788,503</u>
TOTAL ASSETS	<u>162,375,070</u>	<u>156,197,980</u>	<u>164,758,462</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	671,918	3,231,495	2,968,093
Lease liability	-	-	55,582
Derivative financial liability	26	21,124	1,053
Total Current Liabilities	<u>671,944</u>	<u>3,252,619</u>	<u>3,024,728</u>
Non-Current Liabilities			
Lease liability	-	132,994	-
TOTAL LIABILITIES	<u>671,944</u>	<u>3,385,613</u>	<u>3,024,728</u>
NET ASSETS	<u>161,703,126</u>	<u>152,812,367</u>	<u>161,733,734</u>
EQUITY			
Issued share capital – Ordinary Shares	1,556,531	862,739	1,541,253
Reserves	221,629,143	213,044,827	221,336,423
Accumulated losses	<u>(60,946,359)</u>	<u>(60,507,321)</u>	<u>(60,584,489)</u>
Equity attributable to the shareholders of Kore Potash plc	<u>162,239,315</u>	<u>153,400,245</u>	<u>162,293,187</u>
Non-controlling interests	<u>(536,189)</u>	<u>(587,878)</u>	<u>(559,453)</u>
TOTAL EQUITY	<u>161,703,126</u>	<u>152,812,367</u>	<u>161,773,734</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2020

	Ordinary Shares USD	Share Premium Reserve USD	Merger Reserve USD	Accumulated Losses USD	Option Reserve USD	Foreign Currency Translation Reserve USD	Owners of the Parent USD	Non- controlling Interest USD	Total Equity USD
Balance at 1 Jan 2020	1,541,253	25,573,592	203,738,800	(60,584,489)	10,439,608	(18,415,577)	162,293,187	(559,453)	161,733,734
Loss for the period	-	-	-	(1,344,225)	-	-	(1,344,225)	23,264	(1,320,961)
Other comprehensive gain	-	-	-	-	-	1,161,844	1,161,844	-	1,161,844
Total comprehensive (loss)/gain	-	-	-	(1,344,225)	-	1,161,844	(182,381)	23,264	(159,117)
Transactions with owners:									
Issue of shares	-	-	-	-	-	-	-	-	-
Share issue expense	-	(6,330)	-	-	-	-	(6,330)	-	(6,330)
Transfer of lapsed options	-	-	-	127,825	(127,825)	-	-	-	-
Conversion of performance rights	3,508	(3,008)	-	212,111	(212,111)	-	500	-	500
Cancellation of performance rights	-	-	-	642,419	(642,419)	-	-	-	-
Share based payments	11,770	81,288	-	-	41,281	-	134,339	-	134,339
Balance at 30 June 2020	1,556,531	25,645,542	203,738,800	(60,946,359)	9,498,534	(17,253,733)	162,239,315	(536,189)	161,703,126

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE 6 MONTHS ENDED 30 JUNE 2020

	Ordinary Shares USD	Share Premium Reserve USD	Merger Reserve USD	Accumulated Losses USD	Option Reserve USD	Foreign Currency Translation Reserve USD	Owners of the Parent USD	Non- Controlling Interest USD	Total Equity USD
Balance at 1 Jan 2019	860,852	13,054,936	203,738,800	(59,331,800)	12,161,843	(15,310,945)	155,173,686	(560,708)	154,612,978
Loss for the period	-	-	-	(1,175,521)	-	-	(1,175,521)	(1,262)	(1,176,783)
Other comprehensive loss	-	-	-	-	-	(629,751)	(629,751)	(25,908)	(655,659)
Total comprehensive loss	-	-	-	(1,175,521)	-	(629,751)	(1,805,272)	(27,170)	(1,832,442)
Transactions with owners:									
Issue of shares (net of costs)	1,887	-	-	-	-	-	1,887	-	1,887
Share based payments	-	-	-	-	29,944	-	29,944	-	29,944
Balance at 30 June 2019	862,739	13,054,936	203,738,800	(60,507,321)	12,191,787	(15,940,696)	153,400,245	(587,878)	152,812,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE 6 MONTHS ENDED 30 JUNE 2020

	Ordinary Shares USD	Share Premium Reserve USD	Merger Reserve USD	Redeemable Preference Share USD	Accumulated Losses USD	Option Reserve USD	Foreign Currency Translation Reserve USD	Owners of the Parent USD	Non- controlling Interest USD	Total Equity USD
Balance at 1 Jan 2019	860,852	13,054,936	203,738,800	-	(59,331,800)	12,161,843	(15,310,945)	155,173,686	(560,708)	154,612,978
Loss for the year	-	-	-	-	(4,204,007)	-	-	(4,204,007)	1,255	(4,202,752)
Other comprehensive loss	-	-	-	-	-	-	(3,104,632)	(3,104,632)	-	(3,104,632)
Total comprehensive loss	-	-	-	-	(4,204,007)	-	(3,104,632)	(7,308,639)	1,255	(7,307,384)
Transfer of previously lapsed options	-	-	-	-	2,951,318	(2,951,318)	-	-	-	-
Share issue	680,401	12,923,250	-	-	-	-	-	13,603,651	-	13,603,651
Share issue costs	-	(404,594)	-	-	-	-	-	(404,594)	-	(404,594)
Share based payments	-	-	-	-	-	1,229,083	-	1,229,083	-	1,229,083
Balance at 31 Dec 2019	1,541,253	25,573,592	203,738,800	-	(60,584,489)	10,439,608	(18,415,577)	162,293,187	(559,453)	161,773,734

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 30 JUNE 2020

	6 months ended 30 June 2020 USD Unaudited	6 months ended 30 June 2019 USD Unaudited	Year ended 31 Dec 2019 USD Audited
Cash Flows from Operating Activities			
Payments to suppliers and employees	(1,368,755)	(1,507,652)	(4,878,999)
Income tax received/(paid)	974	(20,726)	(45,130)
Net cash flows used in operating activities	<u>(1,367,781)</u>	<u>(1,528,378)</u>	<u>(4,924,129)</u>
Cash Flows from Investing Activities			
Payments for plant and equipment	(1,015)	(17,371)	(18,465)
Payments for exploration and evaluation	(4,350,371)	(2,840,929)	(6,371,268)
Interest received	27,468	23,282	56,215
Net cash flows used in investing activities	<u>(4,323,918)</u>	<u>(2,835,018)</u>	<u>(6,333,518)</u>
Cash Flows from Financing Activities			
Deposit on application of shares	-	36,843	(13,127)
Proceeds from issue of shares	500	1,887	12,761,449
Repayment of lease liabilities related to offices	(12,052)	(87,593)	(178,216)
Interest paid on lease liabilities	(191)	(5,001)	(7,322)
Net cash flows (used in)/generated from financing activities	<u>(11,743)</u>	<u>(53,864)</u>	<u>12,562,784</u>
Net (decrease)/increase in cash and cash equivalents	(5,703,442)	(4,417,260)	1,305,137
Cash and cash equivalents at beginning of period	7,578,727	6,187,113	6,187,113
Foreign currency differences	(35,459)	(44,724)	86,477
Cash and Cash Equivalents at Period End	<u>1,839,826</u>	<u>1,725,129</u>	<u>7,578,727</u>

The above tables should be read in conjunction with the full half yearly report, which is available for download on the Company's website: <https://korepotash.com/investors/results-and-reports/>.

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