

# KORE POTASH – GOVERNMENT APPROVALS FOR THE DFS WORK PROGRAMME NOW IN PLACE

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By Dr. Michael Green

Kore Potash's swift progress towards potentially becoming the lowest cost potash supplier to the giant Brazilian market continues unabated. It now looks like full steam ahead for the latest round of drilling, as news out this morning is that the government in the Republic of Congo has approved Kore's environmental management plan for the Definitive Feasibility Study (DFS) drilling on its 97%-owned DX Project.

This means that all the government approvals for the planned DFS work programme are now in place. This looks like a nice fast turnaround, as the environmental and social aspects of the planned drilling programme were only submitted on 17th September 2020, especially so given the pressure governments around the world are under at the current time. The drilling programme, which is expected to involve up to 5 new holes, is scheduled to begin before the month end. Basically, the drilling programme has been designed to improve confidence in the value of DX and so lies on the critical path for the completion of Phase One of the DX DFS which is planned to be completed in May 2021.

Kore is a highly compelling potash play, not just for the DX project but also for its further ambitions. The company has been developing its vast Sintoukola potash basin in the Republic of the Congo since 2010. To say it is a large opportunity is something of an understatement as Kore has district scale development potential which adds up to 6 billion tonnes of potash, just 12km from the coast. A lot is known about the Sintoukola potash basin as vast amounts of data have been generated from the US\$150 million spent over the years on exploration and feasibility studies here.

Eventually, given the vast scale of this potash basin, a big project will be necessary to really do it justice with a requisite big budget. The flagship 2.2Mtpa Kola project came through the DFS with flying colours but does require US\$2.1 billion of capex which is not easy for a small cap player to raise for a greenfield project in the Congo. So, the team has dreamt up the smaller starter project at DX which will mark the first stage in the district wide development of Sintoukola.

Given the progress to date, the 400,000 tpa DX project is expected to be in production by Q4 2023. Recent months have seen the release of a well-received Pre-Feasibility Study (PFS) for DX which seemed to outline a highly economically robust project that could be brought on stream with a capex nicely south of the US\$300 million mark, a figure which we believe is a sum that could be realistically raised for a greenfield operation in the Republic of the Congo. It does look as though getting DX into production could be a real game changer as it will make the financing of Kola possible and begin to unlock the really tremendous value potential here.

As each phase of the work has progressed, the management team has seen improvements in the DX project. A DFS requires a big body of work and so, sensibly, the team heading up Kore have split the DX DFS into two phases. Phase One concerns the definition of Measured Mineral Resources and Proved and Probable Ore Reserves for the project, along with the technical design aspects of the mine. The drilling programme in this phase is expected to proceed with few hiccoughs as Kore has its own drilling rigs which are already on site. Assay results from this drill programme are designed to reduce risks and improve confidence in the value of DX. The results of Phase One should really help the company in its funding plans and development of DX.

Either Kore will be allowed to grow or be acquired. There is no doubt that DX and Kola put Kore on a real journey with its 6 billion tonnes of potash. Kore's production costs are very low and at the same time the company enjoys the shortest shipping routes to the African markets and Brazil. Moving ahead, the development of the Sintoukola Potash District will be serving to replace potash from the Northern Hemisphere, so is likely to attract a lot attention from the peer group.

Kore seems now to be making rapid progress along what could be a fairly dramatic growth trajectory. Although, it remains to be seen whether the majors will be prepared to concede market share to them or buy them up. Whichever way it turns out, there looks to be all the signs that substantial value could be created at Kore for the benefit of all shareholders over the coming years. We [initiated coverage on Kore Potash](#) with a Conviction Buy stance in June 2020 with a target price of 6.51p. With the share price currently sitting at 0.675p, we are more than happy to reiterate our **Conviction Buy** stance.

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