

KORE POTASH – RAPID PROGRESS ON DFS AT DX

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By Dr. Michael Green

There's no let up in the pace of developments at Kore Potash, as work has already begun on the Definitive Feasibility Study for the DX Project. It's only a few months since the management team was able to deliver a highly compelling Pre-Feasibility Study (PFS) and so investors are witnessing some pretty rapid progress. Last month, Kore raised US\$8 million which will allow the company to deliver the first phase of the DFS for DX which we are sure will further highlight that this project is a really high-quality asset.

As the land lies now, Kore looks well-placed to become the lowest cost potash supplier to the giant Brazilian market from its globally significant deposits in the Republic of the Congo. Kore has a huge potash resource in the Sintoukola Basin and over a number of years exploration and feasibility work looks like it will be resulting in the initial project (called DX) potentially going into production as early as Q4 2023.

The DFS for Kore's DX project has been sensibly split up into two phases. Phase One is focussed on further drilling work to define Measured Mineral Resources and Proved and Probable Ore Reserves along with the technical design aspects of the mine. This phase will involve a drilling programme with five new holes planned to be drilled in October 2020 using Kore's own drill rigs that are already on site – no delays expected here. Assay results are designed to reduce risks and improve confidence in the value of DX. Phase One is planned to be completed in May 2021 and the results should really help the company in its funding plans and development of DX.

At the same time, the board has been able to announce the appointment of a number of well-respected international consultants which have been engaged to support the environmental and technical aspects of the DFS. These include CM2E, SQM and Agapito Associates Inc. Local environmental consulting company CM2E will be carrying out the environmental work required to commence with the drilling programme, with the final documentation expected to be submitted to the authorities within days.

Kore will be benefitting from receiving technical support on key aspects of the DX DFS from one of its major shareholders, SQM, which is a global scale lithium and potassium producer with substantial experience in driving projects through feasibility studies. Kore actually has a technical services agreement in place with SQM which will be giving the company access to some of its key technical experts to discuss and review aspects of the DFS work and consultants' recommendations. Importantly, SQM will also be conducting test works at its pilot plant to improve confidence in the estimate of the potassium carrying capacity of the production brine

Consultant Agapito has been appointed as the Competent Person for both Mineral Resources (Rick Baars) and Ore Reserves (Dr Michael Hardy) as JORC requires. Their work will cover a revision of the MRE as well as the mine design to a DFS level, followed by the revision of the Ore Reserves on completion of the mine design. Agapito is also handling testwork that is essential in the geomechanical

modelling to evaluate cavern stability during mining – a key factor that feeds into the mining model. It's lab will also be undertaking additional dissolution testwork to determine the ultimate brine concentration, which is a key consideration.

The DFS represents a critical stage on the timeline to production. It will build on the cracking DX PFS which outlined an annual average EBITDA of US\$118 million. This was based on the mining of the maiden Sylvinitic Ore Reserves of 17.7Mt at 41.7% KCl at a nameplate production target of 400,000tpa Muriate of Potash (MoP) over an initial 18-year life of mine based on the Probable Ore Reserves. The real ungeared post-tax IRR was 22.9% and the NPV10 (real) was US\$319 million on an attributable basis.

Kore has been developing its vast Sintoukola potash basin in the Republic of the Congo since 2010. There is no messing about here as Kore has district scale development with 6 billion tonnes of potash which is just 12km from the coast. Plus, there is no shortage of technical data and existing feasibility studies as something like US\$150 million has already been spent here.

The huge scale of this potash basin will eventually require a big project to do it justice that will need a big budget. Its flagship 2.2Mtpa Kola project came through DFS with flying colours but will need something like US\$2.1 billion of capex. These sorts of sums just aren't available for a small cap player with a greenfield project in the Congo. However, the team has smartly devised the smaller starter DX project which will mark the first stage in the district wide development of the Sintoukola potash basin.

The way things are shaping up there seem to be few reasons why the 400,000tpa DX project could not be in production by Q4 2023. Early signs are that the DX can rapidly come on stream with capex under US\$300 million, making it financially possible for a greenfield operation in the Republic of the Congo. DX is a scalable solution mine which is low risk as there are many such successful potash projects around the world. Getting DX into production is a game changer in our view as it will make the financing of Kola possible and begin to unlock the tremendous value here.

With the shares currently trading at the 0.71p level, we are more than happy to reconfirm our **Conviction Buy** stance on Kore Potash.

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