

KORE POTASH – DX PROJECT DRILLING RESULTS AND PROGRESS UPDATE

May 27, 2021 | Posted by [admin](#)



By Dr. Michael Green

The morning saw Kore Potash update the market on the results of drilling at the Dougou Extension (DX) Project. This is all good news, but the real focus of attention has now moved onto Kore's much larger Kola Potash Project. In early April 2021, investors learnt that the company had signed a non-binding MOU to arrange the full financing required for the construction of Kola with Summit Africa Limited on behalf of a consortium of investors and engineering firms.

So back to the latest announcement which shows that excellent progress has obviously been made at DX where Phase 1 of the drilling programme for the Definitive Feasibility Study (DFS), involving the drilling of 7 diamond drill holes to a depth of 379 – 502m, has been completed. Already, assay results have been received and samples have been sent for geotechnical testing.

The analysis of the drill hole logs, and assay results made for highly compelling reading for a number of reasons. Firstly, it confirmed the locations of the targeted Hanging wall and Top potash seams. Secondly, it provided improved confidence in the distribution of sylvinitic within the Top Seams. Thirdly, it served to show that the sylvinitic/carnallite boundary within the Hanging Wall Seam is structurally controlled and the sylvinitic distribution is more complex than modelled in the Pre-Feasibility Study (PFS).

The team has learned a lot from the key technical studies and laboratory test work for Phase 1 of the DX DFS that have been completed. This includes; dissolution testwork to provide improved data for temperature brine-modelling; laboratory testing of rock mechanics properties to assist in determination of cavern stability along with the possible extent of reservoir mining and expected subsidence over the project life; a production well design to provide specifications for future capital cost estimating.; and cavern blanket design parameters (to control cavern formation) to provide specifications for future capital cost estimating.

Work completed in Phase 1 of the DX DFS has come within the planned budget and now there will be a bit of a breather. Before continuing further with the DX DFS, the geological model will be updated to incorporate the latest drilling results (expected to be completed before the end of 2021). In addition, new modelling work will be undertaken to see if any more drill holes and seismic data will be needed to further improve confidence in the distribution of Sylvinitic and Carnallite within the DX Deposit.

At the time, Brad Sampson, CEO, was able to point out that: *"The recent drilling campaign at our DX project has improved our knowledge of the location of the sylvinitic and carnallite potash mineralisation which was the main objective for the drilling. This further data will be used to incorporate an updated geological model as part of the DFS work we are undertaking for this shallow solution mining project. The update of the DX geological model will happen in parallel with the ongoing capital optimisation and financing activity for the development of the Kola project which is currently the Company's main focus."*

For those not in the know, Kore Potash has a Tier 1 potash play in the Republic of the Congo (RoC) which looks clearly set to become the lowest cost potash supplier to the giant Brazilian market. The company has been developing the Sintoukola potash basin in the RoC since 2010. Kore has a district scale development with 6 billion tonnes of potash, just 15km from the coast. So far, some US\$230 million has been spent here on its 97%-owned Kola and DX Potash Projects.

The flagship 2.2Mtpa Kola project came through the DFS with flying colours but needs US\$2.1bn of capex (since reconfigured to US\$1.65bn with sub-US\$1.6bn now being targeted), not easy for Kore to raise for a greenfield project in such a jurisdiction. Just as the team began rapidly advancing the smaller DX project, potential investors came knocking with the promise of a fully financing Kola.

There is no doubt that developing the large Kola project represents a very sizeable growth opportunity. The non-binding MOU with Summit to arrange the total financing is based on the understanding that the company will retain a 90% stake in Kola. The MoU sets out a roadmap to optimise, fully finance and construct Kola via a mix of debt and royalty financing. Of course, waiting in the wings is the smaller DX project which is also being progressed in parallel as it provides good backstop if anything should go wrong with the negotiations at Kola.

It has to be said that if Kore gets 90% of that cash flow and even after deducting royalty finance costs once in production, even on modest multipliers we believe Kore could deserve to have a market capitalisation well in excess of US\$2 billion. Successful close of this financing on the terms proposed will allow Kore to retain 90% ownership of this world class asset without Kore shareholders having to inject the equity up front to construct the project. Very neatly, what would have been equity from Kore shareholders is now proposed to be replaced with royalty financing. All of this should set the scene for potentially dramatic share price growth in our view.

To us it seems obvious that Kore's projects are positioned to replace potash supply from the northern hemisphere. Truth is that not only are the company's production costs enviably low, but Kore is also blessed with having the shortest shipping route to the giant Brazilian market and the fast-growing African market. All the pieces are now almost in place to allow Kore to commence a dramatic growth trajectory.

This is all being played out against a background of rising potash demand as the world needs to grow 50% more food by 2050 to feed a growing population. It has to be highlighted here that arable land per person is sharply declining and farmers are increasingly using more fertiliser to feed an anticipated population of 9 billion people by 2050. Kore will produce MOP which is the cheapest and most important source of potassium for agriculture, so there is no risk of substitution.

We recently updated our analysis on Kore Potash with a conservative price target of 11.2p and a **Conviction Buy** stance when the stock was trading at 1.12p. Now with the share standing at 0.90p, we believe there looks to be an even better buying opportunity.

RISK WARNING & DISCLAIMER

Kore Potash (KP2) is a research client of Align Research. Align Research holds a position in Kore Potash. Full details of our Company & Personal Account Dealing Policy can be found on our website <http://www.alignresearch.co.uk/legal/>

This is a marketing communication and cannot be considered independent research nor is it subject to any prohibition on dealing ahead of its dissemination. Nothing in this report should be construed as advice, an offer, or the solicitation of an offer to buy or sell securities by us. As we have no knowledge of

your individual situation and circumstances the investment(s) covered may not be suitable for you. You should not make any investment decision without consulting a fully qualified financial advisor.

Your capital is at risk by investing in securities and the income from them may fluctuate. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results. The marketability of some of the companies we cover is limited and you may have difficulty buying or selling in volume. Additionally, given the smaller capitalisation bias of our coverage, the companies we cover should be considered as high risk

This financial promotion has been approved by Align Research Limited