

31 March 2023

Update on Kola Financing Process and Activities in Republic of Congo

Kore Potash plc (“Kore” or “the Company”), the potash development company with 97%-ownership of the Kola and DX potash projects in the Sintoukola Basin, located within the Republic of Congo (“RoC”), is pleased to announce an update on the Kola financing process and the Company’s recent activity in the RoC.

Highlights

- Discussions continue towards finalising terms for the Engineering, Procurement and Construction (“EPC”) contract at the Kola potash project.
- PowerChina International Group Limited (“PowerChina”) and SEPCO Electric Power Construction Corporation (“SEPCO”) have commenced work to support the provision of guarantees regarding the EPC contract.
- Summit Consortium confirms the financing proposal for the full capital cost of Kola will be provided within 6 weeks of finalisation of EPC terms.
- Increased communication with the RoC Ministry of Mines is improving support for Kore.
- A review of the strategic options available for the DX project is underway.
- British embassy staff visits Kola and Pointe Noire.

Construction Contract Negotiations

On 28 June 2022 Kore announced the signing of a Heads of Agreement (“HoA”) with SEPCO for the construction of the Kola potash project (“Kola”).

Under the HoA, SEPCO undertook to continue negotiations with Kore towards an EPC contract for the construction of Kola. Importantly, the HoA recognises the outcomes of the Kola Optimisation Study, which was announced on 27 June 2022 and confirmed the capital cost of Kola, the construction period and related EPC contract terms.

Discussions with SEPCO to finalise key EPC terms progressed through the end of 2022 despite some delays resulting from actions instigated in China to control the Covid pandemic, as announced to Kore shareholders on 10 October 2022.

Recognising the world-class scale of Kola, the length of the proposed construction period and the total financing requirement, Kore has requested that SEPCO’s parent company, PowerChina, provides the typically required EPC contract guarantees, including performance and retention bonds supporting the completion of construction and the operating performance of Kola.

PowerChina is now actively involved in the process to finalise the EPC contract terms. As part of this process, PowerChina is reviewing aspects of the Kola design and the planned construction schedule and has had direct communications with the management of Kore. PowerChina’s review has generated a number of potential design improvements to the project that identify opportunities to further reduce the capital cost and the construction schedule. Discussions on incorporating these design improvements into the EPC contract continue.

PowerChina has engaged a number of external experts to support its review of the Kola design and they require completion of this review to support the provision of the required EPC contract guarantees. PowerChina has not yet advised Kore of the timeline to complete its reviews and internal approvals.

The process to conclude EPC contract discussions has taken longer than the Summit consortium initially envisaged, notwithstanding it is necessary to conclude these discussions prior to receiving their financing proposal.

Kola Financing Process

On 6 April 2021 Kore announced the signing of a Memorandum of Understanding (“MoU”) with the Summit consortium for the financing of Kola, which required completion of an optimisation study on Kola and agreement on terms for an EPC contract. Kore continues to work with the Summit consortium to provide financing for the full construction cost of Kola which is intended to be based on royalty and debt-finance.

The successful outcomes of the Kola Optimisation Study were in line with the Summit consortium’s requirements and supported the ongoing financing discussions. The financing parties of the Summit consortium have, again, reinforced their ongoing strong interest in financing Kola and await finalisation of the EPC contract terms.

Summit has advised that the financing proposal for the full construction cost of Kola will be provided to the Company within 6 weeks of EPC terms being finalised.

Kore continues to hold the view that the members of the Summit consortium have the capability to provide the required financing to commit to the construction of Kola and that pursuing this financing opportunity currently remains the best path forward for Kore’s shareholders.

Congo Government Relations

Since receiving the communication from the RoC Minister of Mines announced on 19 October 2022 the Company has significantly increased the frequency of dialogue with the Ministry of Mines. This has led to a significant improvement in our relationship and a mutual understanding of the road ahead.

A common theme throughout the Company’s recent dialogue with the Ministry of Mines is that the Ministry continues to express its strong support and the support of the RoC Government for Kore Potash to develop the Kola project, while encouraging Kore to find ways to accelerate the smaller DX project.

Key members of Summit consortium, including SEPCO and PowerChina, have independently written to the Ministry and met with them in-person to assist in establishing their credentials and experience. The feedback to us from the Ministry is that these visits have been appreciated and are assisting the Ministry to better understand the Kola project and the capability of the Summit consortium members.

DX Project

On 24 January 2023, the Company announced updated Mineral Resources, Ore Reserves and the Production Target for the DX project. This updated information incorporated all results from the completed diamond drilling campaign initially announced to Kore shareholders on 27 May 2021.

The updated information confirms that the DX project is a financially attractive, low capital cost project with a shorter construction period than Kola.

At present, the Company remains focused on completing the financing of Kola and moving forward to construction of Kola as soon as possible. This strategy is aligned with the expectations of the Government of the RoC.

Recognising the RoC Government's desire to accelerate the production of potash in the Congo, Kore has agreed with the Government to now consider the strategic options available for the DX project that can bring value forward for all stakeholders and allow more rapid development of the DX project to contribute to the economy of the RoC. The Ministry of Mines is working cooperatively with the Company to fully explore all strategic options. These options may include forming a joint venture for the development of DX with a 3rd party or a sale of the DX project.

British embassy visit to Kola

On 16 March 2023, Kore Potash hosted a site visit to Kola by a delegation from the British embassy in Kinshasa in the neighbouring Democratic Republic of Congo. The British delegation included the Deputy Ambassador, Mr Sam Jeremy. Kore arranged for the delegation to visit an important local museum, and to meet with the people in a village in the Kola area where the Company has helped rebuild a school. The delegation was able to visit the project areas where the Kola shaft, processing and transport infrastructure will be built. The visit also created opportunity to discuss Kore's approach towards ensuring positive social and environmental outcomes and helped develop understanding of the large positive economic impact that the Kola project will have in the region.

The Company is very appreciative that the embassy staff committed time to visit the Kola site.

This announcement has been approved by the Board of Kore Potash plc.

ENDS

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