Kazakhstan Potash Corporation Limited

ABN 57 143 441 285

Interim Report - 30 June 2016

Kazakhstan Potash Corporation Limited
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Kazakhstan Potash Corporation Limited (referred to hereafter as the 'Company' or 'Parent entity' or 'KPC') and the entities it controlled at the end of, or during, the half-year ended 30 June 2016.

Directors

The following persons were directors of Kazakhstan Potash Corporation Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Madam Freada Cheung
Mr. Wei Jiafu
Mr. Terence Wong
Mr. Marco Marcou
Mr. Wang Baolin
Mr. Lyu Xiaokang
Mr. Edward Wen
Ms. JunMei Zhang

Principal activities

The principal continuing activities of the Consolidated Entity during the financial half-year consisted of the identification, acquisition, exploration and development of potash resources in the Republic of Kazakhstan to supply fertiliser products to the growing Chinese and the domestic Kazakhstan markets.

Review of operations

The loss for the Consolidated Entity attributable to the owners of the Company after providing for income tax and non-controlling interest amounted to $12,857,758 (30 June 2015: $14,300,097).

Significant changes in the state of affairs

Escrow Release

In accordance with ASX Listing Rule 3.10A, the following restricted securities were released from escrow on 8 April 2016:

- 391,500,000 – Full paid ordinary shares
- 60,000,000 – Options exercisable at 30 cents per option and expiring on 25 November 2016
- 13,333,333 – Convertible notes with each note having a face value of $1.00 and maturing on 25 November 2017

While the 319,500,000 fully paid ordinary shares in KPC ceased to be restricted securities on 8 April 2016, 120,000,000 of those shares continue to be held in voluntary escrow. Those shares will only be released from voluntary escrow upon confirmation, to JORC standards, of potash resources at the Chelkar project.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Marco Marcou
Director

25 August 2016

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF KAZAKHSTAN POTASH CORPORATION LIMITED

As lead auditor for the review of Kazakhstan Potash Corporation Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kazakhstan Potash Corporation Limited and the entities it controlled during the period.

Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 25 August 2016

Contents

General information

The financial statements cover Kazakhstan Potash Corporation Limited as a Consolidated Entity consisting of Kazakhstan Potash Corporation Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Kazakhstan Potash Corporation Limited's functional and presentation currency.

Kazakhstan Potash Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 27 101 Collins Street Melbourne, VIC	Level 27 101 Collins Street Melbourne, VIC

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2016.

Kazakhstan Potash Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2016

	Note	Consolidated 30 Jun 2016	Consolidated 30 Jun 2015
Revenue from continuing operations	3	517,324	171,357
Gain on disposal of motor vehicles		175,482	-
Expenses			
Employee expenses		(2,899,822)	(2,205,435)
Share based payments		(3,152,255)	(1,421,087)
Depreciation and amortisation expense	4	(43,844)	(124,087)
Exploration costs		(22,580)	(146,017)
Consulting fees	4	(37,121)	(3,190,364)
Legal and other professional fees		(1,200,535)	(510,235)
Marketing and promotion expenses		(20,418)	(15,520)
Regulatory listing fees		(294,283)	(45,220)
Occupancy expenses		(524,657)	(1,115,180)
Telecommunication		(7,251)	(13,596)
Travel expenses		(378,299)	(212,285)
Finance costs	4	(2,309,976)	(1,973,817)
Loss on disposal of plant and equipment		-	(263)
Other expenses		(236,477)	(128,767)
Impairment of assets	4	(1,967,156)	(3,255,208)
Realised foreign exchange loss		(493,009)	(182,165)
Loss before income tax expense from continuing operations		(12,894,877)	(14,367,889)
Income tax expense		-	-
Loss after income tax expense for the half-year		(12,894,877)	(14,367,889)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		4,150	1,146,290
Total comprehensive income for the half-year		(12,890,727)	(13,221,599)
Loss for the half-year is attributable to:			
Owners of the Company		(12,857,758)	(14,300,097)
Non-controlling interest		(37,119)	(67,792)
		(12,894,877)	(14,367,889)
Total comprehensive income for the half-year is attributable to:			
Owners of the Company		(12,853,608)	(13,153,807)
Non-controlling interest		(37,119)	(67,792)
		(12,890,727)	(13,221,599)

Kazakhstan Potash Corporation Limited
Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2016

	Note	Consolidated 30 Jun 2016	30 Jun 2015
		Cents	Cents
Loss per share from continuing operations attributable to the owners of Kazakhstan Potash Corporation Limited			
Basic earnings per share	22	(2.21)	(3.82)
Diluted earnings per share	22	(2.21)	(3.82)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Kazakhstan Potash Corporation Limited
Consolidated statement of financial position
As at 30 June 2016

	Note	Consolidated 30 Jun 2016 $	Consolidated 31 Dec 2015 $
Assets			
Current assets			
Cash and cash equivalents	5	5,084,105	11,808,989
Other assets	6	410,782	469,257
Total current assets		5,494,887	12,278,246
Non-current assets			
Non-current financial assets	7	339,020	329,577
Intangible assets	8	10,651	13,790
Plant and equipment	9	250,348	154,257
Exploration and evaluation assets	10	99,506,006	99,663,946
Total non-current assets		100,106,025	100,161,570
Total assets		105,600,912	112,439,816
Liabilities			
Current liabilities			
Accrued expenses and other payables	11	1,886,996	1,632,317
Total current liabilities		1,886,996	1,632,317
Non-current liabilities			
Non-current financial liabilities	12	21,937,228	19,627,252
Deferred tax liabilities	13	17,208,393	17,208,393
Non-current provisions	14	144,382	146,490
Total non-current liabilities		39,290,003	36,982,135
Total liabilities		41,176,999	38,614,452
Net assets		64,423,913	73,825,364
Equity			
Issued capital	15	193,750,067	190,329,041
Reserves		10,992,454	22,371,254
Accumulated losses		(138,612,133)	(137,205,575)
Equity attributable to the owners of Kazakhstan Potash Corporation Limited		66,130,388	75,494,720
Non-controlling interest		(1,706,475)	(1,669,356)
Total equity		64,423,913	73,825,364

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Kazakhstan Potash Corporation Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2016

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 January 2015	155,284,719	29,965,470	(114,347,562)	(389,172)	70,513,455
Loss after income tax expense for the half-year	-	-	(14,300,097)	(67,792)	(14,367,889)
Other comprehensive income for the half-year, net of tax	-	1,146,290	-	-	1,146,290
Total comprehensive income for the half-year	-	1,146,290	(14,300,097)	(67,792)	(13,221,599)
Transactions with owners in their capacity as owners:					
Share placement net of transaction costs	9,014,808	-	-	-	9,014,808
Shares issued in lieu of payment for services	3,701,819	-	-	-	3,701,819
Shares issued in lieu of cash remuneration for directors	630,587	-	-	-	630,587
Issue of share options to directors	-	790,500	-	-	790,500
Transfer on expiry of options	-	(840,000)	840,000	-	-
Balance at 30 June 2015	168,631,933	31,062,260	(127,807,659)	(456,964)	71,429,570

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 January 2016	190,329,041	22,371,254	(137,205,575)	(1,669,356)	73,825,364
Loss after income tax expense for the half-year	-	-	(12,857,758)	(37,119)	(12,894,877)
Other comprehensive income for the half-year, net of tax	-	4,150	-	-	4,150
Total comprehensive income for the half-year	-	4,150	(12,857,758)	(37,119)	(12,890,727)
Transactions with owners in their capacity as owners:					
Transfer on expiry of options	-	(11,451,200)	11,451,200	-	-
Shares issued in lieu of cash remuneration for directors (note 23)	799,026	-	-	-	799,026
Shares issued to directors (note 23)	2,622,000	-	-	-	2,622,000
Options issued to directors (note 23)	-	68,250	-	-	68,250
Balance at 30 June 2016	193,750,067	10,992,454	(138,612,133)	(1,706,475)	64,423,913

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Kazakhstan Potash Corporation Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2016

	Note	Consolidated 30 Jun 2016 $	Consolidated 30 Jun 2015 $
Cash flows from operating activities			
Interest received		216,242	89
Payments to suppliers and employees		(5,033,728)	(4,924,490)
Net cash used in operating activities	21	(4,817,486)	(4,924,401)
Cash flows from investing activities			
Purchase of a subsidiary, net of cash acquired	24	1,599	-
Purchase of plant and equipment		(62,638)	(7,253)
Payment for tenements and exploration expenditure		(38,021)	(465,667)
Loans advanced to other parties		(7,091,326)	(3,255,208)
Loans repayment from other parties		5,180,186	-
Proceeds from disposal of motor vehicle		175,482	-
Net cash used in investing activities		(1,834,718)	(3,728,128)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		-	9,014,808
Proceeds from shares to be issued in the future		-	6,000,000
Proceeds from borrowings		-	3,854,768
Repayment of borrowings		-	(7,953,805)
Net cash provided by financing activities		-	10,915,771
Net (decrease)/ increase in cash and cash equivalents		(6,652,204)	2,263,242
Cash and cash equivalents at the beginning of the financial half-year		11,808,989	1,820,927
Effects of exchange rate changes on cash and cash equivalents		(72,680)	122,315
Cash and cash equivalents at the end of the financial half-year	5	5,084,105	4,206,484

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Kazakhstan Potash Corporation Limited
Notes to the financial statements
30 June 2016

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).
When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15 (applicable to annual reporting periods beginning on or after 1 January 2018)
The amendments make consequential amendments to various other accounting standards as a result of the new revenue standard.

AASB 2016-3: Amendments to Australian Accounting Standards - Clarifications to AASB 15 (applicable to annual reporting periods beginning on or after 1 January 2018).
As a result of implementation issues identified by the Transition Resource Group (TRG) for the new revenue standard, the AASB 2016-3 was issued to provide additional guidance and illustrative examples on identifying performance obligations, principal vs agent considerations and licensing. The amendments also include additional practical expedients on transition to AASB 15.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)
When effective, lessees will no longer be required to classify leases as either operating or finance leases. Lessees will recognise all leases in the balance sheet (subject to limited exemption) in a similar manner to existing finance leases. The requirements for lessor accounting have been carried forward from AASB 117 Leases largely unchanged. On transition, if you are a lessee you can choose to either retrospectively restate comparatives for each reporting period presented, or apply a modified retrospective restatement method, where you will make adjustments via retained earnings on 1 July 2019.

Note 1. Significant accounting policies (continued)

Going Concern

For the period ended 30 June 2016, the Consolidated Entity incurred a loss after income tax of $12,894,877 from continuing operations, and had net cash outflows from operating activities of $4,817,486. At 30 June 2016, the Consolidated Entity had cash and cash equivalents of $5,084,105 and management has prepared cash flow projections for a period of twelve months from the date of approval of the financial report that demonstrate the Consolidated Entity has sufficient cash to meet its obligations over this period.

The ability of the Consolidated Entity to continue as a going concern is dependent upon the successful implementation of exploration programmes and feasibility studies and potential mine development activities on the potash projects in Kazakhstan which will require the group to raise additional funds through debt and equity. The existence of these conditions indicates a material uncertainty that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern.

Notwithstanding the above, the directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities through the normal course of business for the following reasons:

- On 27 March 2015 KPC's subsidiary Batys Kali LLP signed the Engineering Procurement and Construction – Turnkey Agreement (EPC Agreement) with CITICC for the mine development and build of the Zhilyanskoye Potash Project. With the signing of the EPC agreement, the Company can now move on to conclude the financing arrangements for the project with ICBC and CITICC.

- The directors will continue to source additional funding, through either debt or equity as is considered appropriate over this period to enable the Consolidated Entity to continue the development process.

If the Consolidated Entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Note 2. Operating segments

The Consolidated Entity operated predominately as an explorer with the view to identify attractive mineral deposits of sufficient grade and size to provide sustainable returns to shareholders. Following the completion of the acquisition of the Kazakhstan Potash Projects, the Consolidated Entity operates mainly in Kazakhstan, via subsidiaries in Hong Kong and China.

Note 2. Operating segments (continued)

Accordingly the directors do not believe that there are any reportable segments that meet the requirements of AASB 8 Operating Segments, on the basis that the chief operating decision maker, being the Board of Directors, review geological results and other qualitative measures as a basis for decision making.

Note 3. Revenue

	Consolidated	
	30 Jun 2016 $	30 Jun 2015 $
Interest income	216,205	89
Gain on shares issued in lieu of cash remuneration for directors (note 15)	301,119	171,268
Total revenue	517,324	171,357

Note 4. Expenses

	Consolidated	
	30 Jun 2016 $	30 Jun 2015 $
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Leasehold Improvement	-	52,009
Computer and Office Equipment	25,069	10,750
Fixture and Fittings	3,326	3,651
Motor Vehicles	11,195	52,582
Machinery	1,333	-
Intangible Assets	2,921	5,095
Total depreciation and amortisation	43,844	124,087
Consulting fees		
Advisory service fee	37,121	34,146
Consulting fee paid to China Asia International Consultancy Limited by issuing 22,000,000 shares at a price of $0.14 per share	-	3,080,000
Consulting fee paid to URIK Limited by issuing 540,971 shares at a price of $0.14 per share	-	76,218
Total consulting fees	37,121	3,190,364
Finance costs		
Interest expense	2,309,976	1,973,817
Total finance costs	2,309,976	1,973,817
Rental expense relating to operating leases		
Minimum lease payments	489,349	986,942
Superannuation expense		
Defined contribution superannuation expense	56,144	70,500
Impairment of Assets		
Goodwill on acquisition of Prodrill (note 24)	378,144	-
Loans to Satimola Limited (note 7)	1,589,012	3,255,208
	1,967,156	3,255,208

Note 5. Current assets - cash and cash equivalents

	Consolidated 30 Jun 2016 $	Consolidated 31 Dec 2015 $
Cash on hand	36,902	2,073
Cash at bank	5,035,859	11,796,099
Cash on deposit	11,344	10,817
	5,084,105	11,808,989

Cash on deposit of $10,414 (31 December 2015: $10,078) has been pledged to the Hongkong and Shanghai Banking Corporation to secure the payment of a corporate credit card.

Note 6. Current assets – Other assets

	Consolidated 30 Jun 2016 $	Consolidated 31 Dec 2015 $
Sundry debtors, deposits and other receivables	410,782	469,257

Note 7. Non-current assets – Non-Current financial assets

	Consolidated 30 Jun 2016 $	Consolidated 31 Dec 2015 $
Restricted Cash (i)	231,561	235,357
Loan – Satimola Limited (ii)	23,549,116	21,960,104
Impairment of loan to Satimola Limited (iii)	(23,549,116)	(21,960,104)
Long-term advance paid	105,798	94,220
VAT receivable	1,661	-
	339,020	329,577

(i) The amount represents deposits maintained in a special bank account which can be used by the Company only with the approval of the Ministry of Industry and Innovative Technologies of the Republic of Kazakhstan to cover the costs of regeneration and recultivation of the Contract territory in Kazakhstan. Unused part of the deposits will be returned to the Company after expiration of the Contract.

(ii) Amount represents loans made pursuant to various loan agreements entered into as part of the proposed acquisition of the Satimola project. The loans are interest free and repayable only from the operation proceeds of the Satimola deposit project or in certain circumstances via the issue of shares in Satimola Limited.

(iii) Impairment allowances of $6,705,409, $10,972,933, $4,281,762 and $1,589,012 were made during the period ended 31 December 2013, year ended 31 December 2014, year ended 31 December 2015, and half-year ended 30 June 2016 respectively.

On 7 July 2014, the Company announced it has signed a new Sales and Purchase Agreement, replacing the 1 May 2013 agreement, to acquire a 100% shareholding in Satimola Limited via its wholly owned subsidiary Satbour LLP.

On 16 November 2015, the Company announced that it has signed a new Sales and Purchase Agreement to acquire 100% shareholding in Satimola Limited. For the new agreement to take effect, over 90% of Satimola Limited shareholder need to sign the new agreement.

Note 7. Non-current assets – Non-Current financial assets (continued)

On 10 December 2015, the Company announced that it has been formally advised by Satimola Limited that over 90% of Satimola Limited shareholders have signed the new Sale and Purchase Agreement and that the new agreement has taken effect.

The Directors consider the reversal of the impairment allowance will be made upon the completion of the transaction when there will be more certainty on its recoverability. Completion of the transaction is subject to obtaining approval from all relevant Government and regulatory authorities together with fulfilling all the necessary financing facility requirements.

Note 8. Non-current assets – intangible assets

	Consolidated	
	30 Jun 2016	**31 Dec 2015**
	$	**$**
Intangible assets – at cost	39,485	40,061
Less: Accumulated amortisation	(28,834)	(26,271)
	10,651	13,790

Intangible assets include special acquired software which is generally used in the process of geological and geophysical exploration.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Total $
Balance at 1 January 2016	13,790
Foreign exchange difference	(218)
Amortisation expense	(2,921)
Balance at 30 June 2016	10,651

Note 9. Non-current assets - Plant and equipment

	Consolidated 30 Jun 2016 $	Consolidated 31 Dec 2015 $
Leasehold Improvements – at cost	324,083	330,042
Less: Accumulated depreciation	(324,083)	(330,042)
	-	-
Computer & Office Equipment – at cost	204,967	149,085
Less: Accumulated depreciation	(76,148)	(54,599)
	128,819	94,486
Furniture and Fixtures – at cost	57,709	56,685
Less: Accumulated depreciation	(22,930)	(20,166)
	34,779	36,519
Motor Vehicles – at cost	36,226	344,562
Less: Accumulated depreciation	(24,453)	(321,310)
	11,773	23,252
Machinery – at cost	79,550	-
Less: Accumulated depreciation	(4,573)	-
	74,977	-
Total Plant and equipment	250,348	154,257

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leasehold Improvements $	Computers & Office Equipment $	Furniture & Fixtures $	Motor Vehicle $	Machinery $	Total $
Balance at 1 January 2016	-	94,486	36,519	23,252	-	154,257
Acquisition of subsidiary at 28 April 2016		567	-	-	76,174	76,741
Additions	-	60,254	2,384	-	-	62,638
Disposals	-	-	-	-	-	-
Foreign exchange difference	-	(1,419)	(798)	(284)	136	(2,365)
Depreciation expense	-	(25,069)	(3,326)	(11,195)	(1,333)	(40,923)
Balance at 30 June 2016	-	128,819	34,779	11,773	74,977	250,348

Note 10. Non-current assets – Exploration and evaluation assets

	Consolidated 30 Jun 2016 $	Consolidated 31 Dec 2015 $
Opening balance	99,663,946	106,720,168
Additions	38,021	1,483,774
Foreign exchange difference	(195,961)	(8,539,996)
	99,506,006	99,663,946

Note 11. Current liabilities – Accrued expenses and other payables

	Consolidated	
	30 Jun 2016	31 Dec 2015
	$	$
Accrued expenses and sundry creditors	1,886,996	1,632,317

Note 12. Non-current liabilities – Non-current financial liabilities

	Consolidated	
	30 Jun 2016	31 Dec 2015
	$	$
Face value of convertible note – 2013 (i)	30,000,000	30,000,000
Discount on convertible note – 2013 (i)	(8,062,772)	(10,372,748)
	21,937,228	19,627,252

(i) In May 2013, CAR Fund, an entity controlled by Madam Cheung, executed a legally binding convertible note term sheet with the Company to issue up to $30,000,000 CAR Convertible Notes in 2 tranches. Pursuant to an agreement, CAR Fund (or its nominee) agrees to subscribe for, and KPC agrees to issue, secured convertible notes up to a total value of $30 million. Each CAR Convertible Note is convertible into 1 Share at $1.00 per Share by the holder of the Note. CAR Fund or its nominee will receive 2 Options for each CAR Convertible Note issued and an additional 2 Options for each CAR Convertible Note converted into Shares. The Options are exercisable at 30 cents per Option. Neither the CAR Convertible Notes nor the options will be quoted on the ASX. The CAR Convertible Notes are secured by a general security interest over all of the property of the Company, are interest free, and have a term of 4 years from the date of issue. Issuance of the CAR Fund Convertible Notes was approved by shareholders during a Special General Meeting on 25 October 2013 and the notes were issued on 25 November 2013.

At the end of 4 years the Convertible Note liability of $30 million is repayable in cash if the holders of the Notes have not elected to convert them into shares in KPC. The sole discretion to convert the Notes into shares in KPC is held by the holders of the Notes.

Note 13. Non-current liabilities – Deferred tax

	Consolidated	
	30 Jun 2016	31 Dec 2015
	$	$
Deferred tax liabilities	17,208,393	17,208,393

Deferred tax liabilities arose: -

(i) On the acquisition of the Batys Kali LLP in March 2014. The deferred tax liabilities arose in relation to the potash projects acquired.

The consolidated entity has not recognised any deferred tax assets in respect of the current financial period (31 December 2015: Nil).

There are unrecognised deferred tax assets arising from tax losses however no reliable estimate has been made of the quantum of the losses, nor has any work been done to ascertain whether these losses will be available to offset against future taxable income.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

(i) The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
(iii) There are no changes in tax legislation which would adversely affect the Consolidated Entity in realising the benefits from deducting the losses

Note 14. Non-current liabilities – Provisions

	Consolidated	
	30 Jun 2016	31 Dec 2015
	$	$
Rehabilitation reserve	239,218	239,281
Foreign exchange difference	(94,836)	(92,791)
	144,382	146,490

In accordance with the Kazakhstan Contracts for subsoil use the Company shall be obliged to establish a rehabilitation reserve required to cover the costs of rehabilitation and recultivation of the Contract territory. Provision for future site restoration is the estimated fair value of legal obligations associated with dismantlement and site restoration due to the retirement of tangible long-lived assets. The provision is adjusted at the end of each period to reflect the passage of time and changes in estimated future cash flows underlying the obligation.

Note 15. Equity - issued capital

	Consolidated			
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	Shares	Shares	$	$
Ordinary shares - fully paid	625,222,881	575,642,804	124,846,067	121,425,041
Treasury shares (i)	120,000,000	120,000,000	68,904,000	68,904,000
Total	**745,222,881**	**695,642,804**	**193,750,067**	**190,329,041**

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2016	695,642,804		190,329,041
Shares issued in lieu of cash remuneration for directors (Note 23)	2 June 2016	11,580,077	0.069	799,026
Share issued to directors (Note 23)	2 June 2016	38,000,000	0.069	2,622,000
Balance	30 June 2016	745,222,881		193,750,067

(i) Treasury shares includes 120,000,000 shares required to be issued under a consultancy agreement with Celaric for its assistance in the acquisition of the Batys Kali assets. The value ascribed to these shares is the fair value of the consultancy services provided. The treasury shares to Celaric were issued on 4 March 2014 and are held in Voluntary Escrow. During the period of Voluntary Escrow, the shares will have no voting rights (subject to any required approval from the ASX) or the holder or holders of the shares will be restricted from exercising any voting rights attaching to them. On the release from Voluntary Escrow, the shares will have the same rights as all other issued shares in KPC, including voting rights. If the potash resources at Chelkar are less than 1 billion tonnes, then the shares to be released from Voluntary Escrow to Celaric will be reduced in proportion to the amount of resources reported. Any Celaric Shares not released from Voluntary Escrow are to be returned to KPC for zero consideration pursuant to a selective Share buy-back or capital reduction or otherwise cancelled, subject to compliance with the Corporations Act.

Note 16. Equity - dividends

There were no dividends paid or declared during the current or previous financial period.

Note 17. Contingent liabilities

In accordance with the Kazakhstan tax laws, in 2014 Batys Kali LLP, the Company's subsidiary, has an obligation to pay a commercial discovery bonus for the Zhilyanskoye deposit. The taxable base for the assessment of commercial discovery bonus is the value of mineral reserves which is determined by reference to planned production costs as per the feasibility report approved by relevant authorised body increased by 20%. Tax laws specify the commercial discovery bonus payment period to be not later than 90 days after approval by the relevant authorised body of the mineral reserves of the deposit under combined exploration and production contract. Potash salt reserve estimation report on Zhilyanskoye deposit as at 1 January 2014 was approved in April 2014 by the Republic of Kazakhstan State Commission for Mineral Reserves.

As at the current date, Batys Kali has no feasibility report specifying planned production costs and therefore are not able to determine the value of reserves as prescribed by the tax laws and, consequently, there is no taxable base for assessment of commercial discovery bonus.

Other than the above, the Consolidated Entity had no contingent liabilities as at 30 June 2016.

Note 18. Commitments

	Consolidated	
	30 Jun 2016 $	**31 Dec 2015 $**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	656,472	830,588
One to five years	715,330	-
More than to five years	-	939,901
	1,371,802	1,770,489
Exploration obligations to be undertaken		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	513,407	802,999
One to five years	-	-
More than to five years	-	-
	513,407	802,999

The Consolidated Entity has certain obligations to spend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements.

Note 19. Related party transactions

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	30 Jun 2016	**31 Dec 2015**
	$	**$**
Payment for goods and services:		
Payment of loan interest to China Asia Resources Fund (related entity of Madam Cheung)	-	115,569
Receipt of loan interest from China Asia Resources Fund (related entity of Madam Cheung)	216,138	171,217

Receivable from and payable to related parties
The following current payables are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	30 Jun 2016	**31 Dec 2015**
	$	**$**
Director fee payable for service of Madam Cheung	15,000	45,000
Director fee payable for service of Terence Wong	15,000	45,000
Director fee payable for service of Edward Wen	15,000	45,000
Director fee payable for service of JunMei Zhang	75,000	45,000
Director fee payable for service of Wang Baolin	15,000	45,000
Director fee payable for service of Lyu Xiaokang	15,000	45,000
Director fee payable for service of Marco Marcou	15,000	45,000
Director fee payable for service of Wei Jiafu	15,000	8,333
Salary payable to Terence Wong	85,641	29,045
Salary payable to Wang Baolin	35,411	12,768
Salary payable to Lyu Xiaokang	47,839	292,037
Salary payable to Marco Marcou	16,665	-
Salary payable to Wei Jiafu	90,000	50,000
	455,556	707,183

Note 20. Events after the reporting period

On 23 August 2016 the Company announced that it has entered into a Joint Venture Agreement with the Chongqing Material of Agricultural Production (Group) Co., Ltd (CMAG) to develop a fertiliser logistics and distribution hub to supply all the major fertiliser producers in China.

CMAG is a fully integrated agricultural enterprise throughout the agricultural value chain in China and is a subsidiary company of Chongqing municipal government.

Under the terms of the agreement, KPC will assist in sourcing financing and over time provide fertilisers from its projects in Kazakhstan. CMAG will provide the land and infrastructure for the hub creation and operation as well as their existing terminal and warehousing fertiliser facility located on the Yangtze River. This terminal includes an established rail link to China's national rail network as well as to the Chongqing-Xinjiang-Europe Railway system. The newly formed joint venture will begin its operation through fertiliser trading and logistics as it progresses through the development timeframe of between 3 to 5 years with a view to become one of China's leading fertiliser logistic and trading company operating out of South Western China.

Note 21. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 30 Jun 2016	30 Jun 2015
	$	$
Loss after income tax expense for the half-year	(12,894,877)	(14,367,889)
Adjustments for:		
Depreciation and amortisation	43,844	124,087
Foreign exchange differences	599,191	235,163
Impairment of assets	1,967,156	3,255,208
Loss on disposal of plant and equipment	-	263
Gain on sales of disposal of motor vehicle	(175,482)	-
Non-cash interest income and expenses	(301,082)	-
Non-cash consulting fees and other expenses	5,462,231	5,727,974
Change in operating assets and liabilities:		
(Increase)/ decrease in other current assets	50,064	(122,104)
Increase in accrued expenses and other payables	431,469	222,897
Net cash used in operating activities	(4,817,486)	(4,924,401)

Note 22. Earnings per share

	Consolidated 30 Jun 2016	30 Jun 2015
	$	$
Loss per share from continuing operations		
Loss after income tax attributable to the owners of Kazakhstan Potash Corporation Limited	(12,857,758)	(14,300,097)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	583,542,926	375,116,621
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	583,542,926	375,116,621
	Cents	**Cents**
Basic earnings per share	(2.21)	(3.82)
Diluted earnings per share	(2.21)	(3.82)

Note 23. Share-based payment

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

On 2 June 2016, the following equity-settled compensation were issued as approved by the shareholders of KPC at the Annual General Meeting held on 30 May 2016 :-

(i) 11,580,077 ordinary shares were issued at an issue price of 6.9 cents per share and a total transaction value of $799,026 to directors of KPC in lieu of cash remuneration payable to those directors;
(ii) 38,000,000 ordinary shares were issued at an issue price of 6.9 cents per share and a total transaction value of $2,622,000 to directors of KPC as reward and incentives.
(iii) 39,000,000 share options were granted to directors of KPC. The exercise price of the options is $0.2 which the vesting date and expiry date are 1 year from the date of issue and 3 years from the date of issue respectively.

The fair value of the options granted is estimated at the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted, using the following assumptions:

Dividend yield (%)	-
Expected volatility (%)	78
Risk-free interest rate (%)	1.985
Expected life (years)	3
Weighted average share price ($)	0.085

Based on the assumptions set out above, the value of one option is 2.1 cents and the value of the 39,000,000 options is $819,000. The option value is to be amortized over the 1 year vesting period.

Note 24. Business combination

On 28 April 2016, the Company entered into an agreement with Central Asia Resources Consultancy Limited under which it would acquire a 100% beneficial interest in Prodrill Exploration LLP which owns 2 drill rigs in Kazakhstan. The Company will issue 5,000,000 shares to the seller with respect to this transaction 45 days following the re-registration of the Company in the Kazakhstani government authority.

Details of the acquired assets and liabilities, based on latest unaudited financial information available are as follows and may be subject to revision:

	Fair Value Assessment $
Assets and liabilities of Acquiree notionally acquired are:	
Cash and cash equivalents	1,599
Other assets	4,772
Fixed assets	76,741
Accrued expenses and other payables	(11,256)
Goodwill	378,144
Acquisition-date fair value of the net assets acquired	**450,000**
Share consideration at fair value of $0.09 per share to owners of Acquiree	
5,000,000 shares for Central Asia Resources Consultancy Limited, to be issued subsequent to 30 June 2016	**450,000**

Note 24. Business combination (continued)

The business combination has initially been accounted for on a provisional basis in accordance with AASB 3 Business Combinations. The fair value of assets acquired, liabilities assumed are initially estimated by the Consolidated Entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Kazakhstan Potash Corporation Limited
Directors' declaration
30 June 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Marco Marcou
Director

25 August 2016

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kazakhstan Potash Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kazakhstan Potash Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kazakhstan Potash Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kazakhstan Potash Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kazakhstan Potash Corporation Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 (Going Concern) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through debt or equity and the successful exploration and subsequent exploitation of the consolidated entity's tenements. These conditions, along with other matters as set out in Note 1 (Going Concern), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 25 August 2016