Kazakhstan Potash Corporation Limited

ABN 57 143 441 285

Financial Report - 31 December 2017

Kazakhstan Potash Corporation Limited
Corporate directory
For the year ended 31 December 2017

Directors	Madam Freada Cheung (Chairperson and Managing Director) Mr. Wei Jiafu (Executive Director and CEO) Mr. Terence Wong (Executive Director) Mr. Marco Marcou (Executive Director) Mr. Wang Baolin (Executive Director) (resigned on 16 March 2018) Mr. Lyu Xiaokang (Executive Director) Mr. Grant Thomas (Executive Director and Chief Technical Officer) (appointed on 16 March 2018) Mr. Edward Wen (Non-Executive Director) Ms. JunMei Zhang (Non-Executive Director) (resigned on 16 March 2018)
Company secretary	Mr. Marco Marcou
Notice of annual general meeting	The annual general meeting of Kazakhstan Potash Corporation Limited will be held at: Norton Rose Fullbright Australia, 15th Floor RACV Tower, 485 Bourke Street, Melbourne, VIC 3000 Time: 11.00 am Date: 29 May 2018
Registered office and principal place of business	Level 27 101 Collins Street Melbourne, VIC 3000 Phone: +61 3 9653 9020
Share register	Computershare 452 Johnston Street Abbotsford, VIC 3067 Phone: +61 3 9415 5000
Auditor	BDO East Coast Partnership Tower 4, Level 18, 727 Collins Street Melbourne, VIC 3008
Solicitors	Norton Rose Level 15 485 Bourke Street Melbourne, VIC 3000
Stock exchange listing	Kazakhstan Potash Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: KPC)
Website	www.kazakhpotash.com

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 year ended 31 December 2017.

Directors

The following persons were directors of Kazakhstan Potash Corporation Limited during the whole of the financial 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 (resigned on 16 March 2018)
Mr. Lyu Xiaokang
Mr. Grant Thomas (appointed on 16 March 2018)
Mr. Edward Wen
Ms. JunMei Zhang (resigned on 16 March 2018)

Principal activities

The principal activities of the Consolidated Entity during the financial 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.

Dividends

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

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 $8,053,960 (2016: $21,848,315).

Zhilyanskoye Project

The Zhilyanskoye Project is located approximately 5-10 km south west of the city of Aktobe in the north western region of RK. Power (gas and electricity), water, transportation (rail and road) as well as labour are all available within 10 km of the project giving the Company a significant infrastructure advantage. On the other hand, the extended city boundary of Aktobe may result in challenge in the development of the project. Reassessment on the economic feasibility of the project by an independent consultant will commence in early 2018, and discussion with the provincial government had been initiated for the Company to better assess the impact on the development plan of the project.

The deposit has JORC 2012 compliant Mineral Resources, estimated by SRK Consulting (Kazakhstan) Limited as of 6 August 2013 for the sylvinite and polyhalite mineralization:

- A total of 119.8 million metric tonnes (Mt) of Mineral Resources containing sylvinite mineralization at the cut-off of 10% K_2O:
  - Indicated Mineral Resources of 66.7 Mt grading 19.24% K_2O,
  - Inferred Mineral Resources of 55.2 Mt grading 17.86% K_2O; and
- A total of 987.7 Mt of Mineral Resources containing polyhalite mineralization at the cut-off grade of 5% K_2O:
  - Indicated Mineral Resources of 769.4 Mt grading 8.1% K_2O,
  - Inferred Mineral Resources of 214.3 Mt grading 7.32% K_2O.

(Source Kazakhstan Potash Corporation Limited Prospectus 28 January 2014).

No exploration activities have been undertaken on the project during the year. The Company has continued to re-assess the feasibility of the project and to optimize the resource and mining models, in response to the weakening of the potash markets and potential increase in the standard of the development and environmental requirement in the project.

The Company was informed by the provincial government of the Aktobe region of Kazakhstan that the city boundary of Aktobe would be extended, and the new city boundary would cover a small portion of the northern part of the Zhilyanskoye tenement. Therefore, there is a high possibility that the required standard in the environment and development at Zhilyanskoye may get higher.

In view of that, the Company started discussing with a Kazakh mining consultant company to re-evaluate the economic feasibility of the project. It is believed that an agreement with the consultant company can be reached in Q1 2018 and the associated works can commence in Q2 2018 with a report expected in the second half of 2018.

Chelkar Project

The Chelkar Project is located approximately 100 km south of the city of Uralsk in north western Kazakhstan, and approximately 160 km north of the giant Satimola Potash Deposit which the Company is acquiring. Previous work on the project by geological teams from the former Soviet Union, and recent drilling by the Company's local subsidiary Batys Kali LLP has identified a number of occurences of sylvinite and carnallitite mineralization in the area.

No exploration activities have been undertaken during the year.

The Company, through Batys Kali, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Chelkar potash and magnesium deposit. Whereas the SSRUC is valid for 51 years since its initial granting on 11 December 2008, the previous exploration working program approved by the government of Kazakhstan ended on 11 December 2016. The Company began its conversation with the government of Kazakhstan as early as July 2016 for bringing forward the incomplete technical studies to the following years. The updated working program submitted by the Company had been reviewed and discussed since January 2017. A Pre-Environmental Impact Assessment (Pre-EIA) report had been submitted in Q3 2017 and been accepted by Ministry of Investments and Development (MID) in Q4 2017. The Company is going to submit the final working program 2018 in Q1 2018. It is believed that an approval from the Kazakh authorities will be granted shortly. Simultaneously, the Company has been reassessing the geological data and the economic viability internally. The Company looks forward to informing the market once any result concerning the application of the exploration period extension is available.

The Pre-EIA report on Chelkar, which was prepared by IST-Eco LLP, was reviewed by the Special Committee of MID of the Republic of Kazakhstan. After a few rounds of discussion, the final version of the working program 2018 had agreed between the Company and MID in principle, and would be submitted again in Q1 2018 for final review by MID.

The Company is confident that extension of the working program will be granted till 31 December 2018.

On-Going Meetings with Regional Aktobe Government

In accordance with the terms of the Sub-soil Resources Use Contract ("SSRUC") relating to the Zhilyanskoye Project located in the Aktobe region, Kazakhstan. KPC management has been conducting a series of on-going meetings with the Governor and officials of the Aktobe region. The meetings are focussed on KPC assisting in the social and economic development and the infrastructure of the Aktobe region deemed a Social Fee (Sub Soil Use License condition which is currently at circa US$500,000 in value due to a 10 year accumulation) together with professional development of Kazakhstani personnel. With the eventual progression of the SSRUC from exploration status all regional based commitments will be fully adhered to by KPC.

To that end, KPC and the Aktobe region officials have agreed to continue their meeting schedule during the first Quarter of 2018 with a view to execute a Memorandum of Understanding relating to the regional based commitments between both parties.

List of Tenements

Project	Location	Tenement/ Contract number	Interest at beginning of the year (%)	Interest at end of the year (%)
Zhilyanskoye	Aktobe, Kazakhstan	2891	95	95
Chelkarskoye (Chelkar)	Uralsk, Kazakhstan	2889	95	95

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial period

On 2 March 2018, 18,860,000 and 40,380,000 shares were issued at an issue price of $0.026 as share placement and loan settlement of $1,049,880 respectively. 358,273 shares were issued to senior employees of KPC and its subsidiaries (or their nominees) in lieu of cash remuneration at a nominal issue price of $0.026 per share.

Likely developments and expected results of operations

The Company is a signatory of the Framework Agreement entered into under the auspices of the Kazakhstan and Chinese Government as part of the “One Belt, One Road’ initiative in the region. Under the terms of the Framework Agreement KPC plans to build a potash production base in Kazakhstan drawing on its projects, so as to eventually supply the China and Kazakhstan agriculture markets’ demand for potash.

The key objective of KPC continues to be to establish itself as a key potash producer. In parallel to this, the Company will look to secure off-take agreements, most notably in China, for the majority, if not for all, of the potash projected to be produced from KPC’s potash Projects. To that end KPC has progressed a number of key initiatives, mainly to secure a logistic solution for the Projects.

KPC continues in the Joint Venture with the Chongqing Material of Agricultural Production (Group) Co., Ltd (CMAG) in developing a fertiliser logistics, trading 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. The name of the Joint Venture is Chongqing Bright Road Industrial Co Ltd (CBRI).

Since commencing operations, CMAG has been responsible for the day-to-day operations of CBRI. In Jan 2018, after discussion among the management of KPC and CMAG, CBRI will shift the business mix to more in-demand and market-focused commodities. Going forward, CBRI will focus on these commodities in the China and Kazakhstan Markets. The renewed focus would be considered more profitable.

To prepare for that, CBRI has decided to turn existing inventory to cash as working capital for the new business. The previous business of agricultural fertiliser trading at low profit margin will be withdrawn gradually. CBRI is also preparing a new business plan for review by the Board during first half of 2018.
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In addition, the Framework Agreement with KTZ Express, the national rail subsidiary of JSC "NC" Kazakhstan Temir Zholy, the major multimodal transport and logistics operator in the Republic of Kazakhstan continues.

The Framework Agreement looks to integrate the transportation requirements of the potash to be developed by KPC's projects in Kazakhstan into the Kazakhstan national railway network for shipment through Kazakhstan and to China.

In the financial year that follows, KPC expects to continue advancing its potash projects, in terms of optimising the geological and resource model and mine plan of the Zhilyanskoye Project as well as working towards a JORC resource definition for the Chelkar Project. We expect that the various test work carried out for the Chelkar ores will be completed during the course of current year 2018.

Meanwhile, KPC also intends to also advance a JORC compliant feasibility study (FS) for the Satimola Potash Project which the Company is acquiring. The FS, as defined under the JORC 2012 Code, will provide detailed and comprehensive technical and economic studies of the Project.

To date, the Satimola Project work has been progressed broadly under a Russian style FS, which required additional work to bring to compliance with the JORC 2012 Code, which the new FS work will address.

KPC believes that its potash Projects have substantial potential and that their development through to production will be financially rewarding for the Company and its Shareholders.

Environmental regulation

The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

Information on directors

Name:	**Madam Freada Cheung**
Title:	Chairperson and Managing Director
Experience and expertise:	Mdm. Cheung is an experienced investor in various companies internationally, including companies in Australia, Hong Kong, Singapore and the United Kingdom. She is well respected among the business community and has extensive business contacts internationally and in particular, in the PRC. She has a diversified portfolio and knowledge base, with major investments and interests in the mining industry, clean energy and agricultural resources segments and is recognised for her vision in investment projects. Madam Cheung also has strong successful experience in mergers and acquisitions.
Other directorships:	During the past three years, Madam Cheung has not held any other directorships for listed companies.
Interest in shares:	100,667,446 ordinary shares
Interest in options:	Options to acquire 105,050,000 ordinary shares
Interest in convertible notes:	23,525,000, convertible into shares at $0.2 each

Name:	**Mr. Wei Jiafu**
Title:	Executive Director and CEO
Experience and expertise:	Mr. Wei has over thirty years' experience in business management. As a leader of one of the Global 500 companies, he has great foresight as well as rich experience in international corporate management together with an in-depth understanding of capital markets. He had been the CEO and Chairman of the Board of China COSCO Holdings Company Limited and Vice Chairman of China Merchants Bank Co., Ltd. Mr Wei has also held numerous directorship and senior management roles in a number of listed companies in Singapore, Hong Kong and China. During his career, Mr. Wei has also been a leader in various organisations, most notably Chairman of China Association of Trade in Services, the China Shipowners Association, the China Federation of Industrial Economics and China Group Companies Association. Furthermore, he Co-Chaired the World Economic Forum in 2011 and was a Member of the Board of Directors of the Boao Forum for Asia and a Member of the Harvard Business School Asia-Pacific Advisory Board. Mr. Wei is a graduate of Wuhan University of Technology, he obtained his Master's Degree in Shipping Management from Dalian Maritime University and his Doctorate Degree (Ph. D.) in Ship and Ocean Structural Design from Tianjin University.
Other directorships:	In the last three years, Mr. Wei has not held any other directorships for listed companies.
Interest in shares:	9,026,990 ordinary shares
Interest in options:	Options to acquire 2,000,000 ordinary shares
Interest in convertible notes:	None

Name:	**Mr. Terence Wong**
Title:	Executive Director
Experience and expertise:	Mr. Wong has over 20 years of experience in management and investment in Hong Kong and the PRC and has extensive Asian business experience and networks. Mr. Wong has a Diploma in Public Administration and Postgraduate Diploma in Business Management from Hong Kong Polytechnic University and also a Postgraduate Diploma in Business Management from University of Birmingham.
Other directorships:	During the past three years, Mr. Wong has not held any other directorships for listed companies.
Interest in shares :	10,837,272 ordinary shares
Interest in options:	Options to acquire 3,140,000 ordinary shares
Interest in convertible notes:	70,000, convertible into shares at $0.2 each

Information on directors (continued)

Name:	**Mr. Marco Marcou**
Title:	Executive Director
Experience and expertise:	Mr. Marcou has over 30 years of managerial, consulting and advisory experience in Australia, the USA and Asia. He has held a number of senior management positions and worked for Deloitte Consulting (Australia and Hong Kong) specialising in Mergers & Acquisitions. In 2002, Mr. Marcou was a joint founder and Director of MAP Capital Advisors (MAP) a leading independent boutique investment and advisory house with offices in Sydney and Melbourne providing Corporate Advisory (Strategic Transactions and Capital Markets), Market Insights, Venture Capital and Specialist Funds services. MAP's sector focus is on the TRiMET market segments (namely: Technology, Retail, Internet, Media, Entertainment & Telecoms) and the Resources sectors (namely: Mining, Oil and Gas, and Cleantech). Mr. Marcou holds a Master of Business Administration from Swinburne University of Technology and a Bachelor of Arts from the University of Melbourne.
Other directorships:	In the last three years, Mr. Marcou has not held any other directorships for listed companies.
Interest in shares:	10,000 ordinary shares
Interest in options:	Options to acquire 2,000,000 ordinary shares
Interest in convertible notes:	None

Name:	**Mr. Wang Baolin (resigned on 16 March 2018)**
Title:	Executive Director
Experience and expertise:	Mr. Wang joined the Beijing subsidiary of KPC in May 2013 as Head of Project Management and is responsible for the formation and management of the company's project team. Prior to this, he held the role of general manager at China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. (NFC). Mr. Wang brings to the Board considerable experience in the management and development of mining projects through his successful leadership at NFC. NFC has two main businesses, namely non-ferrous metal resource mining and project contracting on a global basis. In his role at NFC, Mr. Wang oversaw the development and production of mines in Middle East, Central Asia and Africa in conjunction with this role he led the listing of NFC on the Shenzhen Stock Exchange. Mr. Wang has more than 40 years of experience in the field and is well respected among the mining development industry and financial industry.
Other directorships:	In the last three years, Mr. Wang has not held any other directorships for listed companies.
Interest in shares:	6,731,681 ordinary shares
Interest in options:	Options to acquire 3,000,000 ordinary shares
Interest in convertible notes:	None

Name:	**Mr. Lyu Xiaokang**
Title:	Executive Director
Experience and expertise:	Mr Lyu is a successful entrepreneur with over 30 years business experience predominately in China, and particularly, in the mining sector. Currently, Mr. Lyu is the Chairman of Board of North America Investors Association. Mr. Lyu has an extensive network of business contacts both with China and internationally.
Other directorships:	In the last three years, Mr. Lyu has not held any other directorships for listed companies.
Interest in shares:	11,843,552 ordinary shares
Interest in options:	Options to acquire 13,000,000 ordinary shares
Interest in convertible notes:	None

Information on directors (continued)

Name:	**Mr. Edward Wen**
Title:	Non-Executive Director
Experience and expertise:	From 1993 to 2000, Mr. Wen was an investment banker in several global investment banking houses in New York, first at J&W Seligman and then Nomura Securities, where he initiated and executed numerous cross-border initial public offerings, merger and acquisition transactions and structured financings. From 2001 to 2008, Mr. Wen served as President of Genes Capital Group, a US-based merchant banking company which provided financing for small-cap companies. Since 2008, Mr. Wen founded and manages several private equity funds with total investment assets of over US$3 billion. Mr. Wen holds a Master of Business Administration from Stern School of Business of New York University.
Other directorships:	In the last three years, Mr. Wen has not held any other directorships for listed companies.
Interest in shares:	2,806,307 ordinary shares
Interest in options:	Options to acquire 1,740,000 ordinary shares
Interest in convertible notes:	120,000, convertible into shares at $0.2 each

Name:	**Mr. Grant Thomas (appointed on 16 March 2018)**
Title:	Executive Director and Chief Technical Officer
Experience and expertise:	Mr. Thomas is a geoscientist and experienced Company Director. Currently Director of ASX listed Amani Gold Limited (ASX – ANL), Mr Thomas is responsible for strategic business analysis and project evaluation. Mr Thomas has previously served as Managing Director of ASX listed Celsius Coal Limited and Tianshan Goldfields Limited and has held senior positions with Rio Tinto Exploration (Australia, Brazil and China) and Hamersley Iron. Mr Thomas has 30 years of professional experience covering project acquisition, mineral exploration and resource project evaluations for several minerals, including diamonds, gold, iron ore, copper, lead, zinc, uranium, fluorspar and coal in Australia, China, South Africa, Tajikistan, Kazakhstan, Brazil, Cambodia and Mongolia. Mr Thomas has completed several substantial capital raisings in London, Sydney, Hong Kong and Singapore. Mr Thomas has been involved with successful project leadership and exploration discoveries within Australia and China including; Homestead, Mount Sheila and Mount Sylvia (iron ore) and 2.4Moz Au Xinjiang Gold Mountain and Kuan Gou (gold) discoveries. Mr Thomas holds a Bachelor degree in Science from Adelaide University in Australia and is a Member of Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG).
Other directorships:	ActivEX Limited (ASX-AIV), Australia, January 2014 to January 2018. Managing Director. Amani Gold Limited (ASX-ANL), Australia, January 2018 to present. Director.
Interest in shares:	None
Interest in options:	None
Interest in convertible notes:	None

Name:	**Ms. JunMei Zhang (resigned on 16 March 2018)**
Title:	Non-Executive Director
Experience and expertise:	Ms. Zhang has over 20 years accounting experience in a number of senior management roles. Ms. Zhang holds a Master of Accounting and Post-Graduate Diploma in Accounting (Macquarie University) and an Economics and Finance qualification from the China Institute of Banking and Finance (Beijing, China) and is a member of CPA Australia.
Other directorships:	In the last three years, Ms. Zhang has not held any other directorships for listed companies.
Interest in shares:	1,251,651 ordinary shares
Interest in options:	Options to acquire 1,630,000 ordinary shares
Interest in convertible notes:	65,000, convertible into shares at $0.2 each

Information on directors (continued)

'Other directorships' quoted above are directorships for listed entities in Australia only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Mr. Marco Marcou was appointed as Company secretary on 7 September 2012. Refer above for more information.

Meetings of directors

The number of meetings of the Company's Board of Directors during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Madam Freada Cheung	7	11
Mr. Wei Jiafu	11	11
Mr. Terence Wong	11	11
Mr. Marco Marcou	11	11
Mr. Wang Baolin	3	11
Mr. Lyu Xiaokang	0	11
Mr. Edward Wen	6	11
Ms. JunMei Zhang	5	11

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A	Remuneration Policy
B	Details of remuneration
C	Service agreements
D	Share-based compensation
E	Additional information

A Remuneration Policy

The remuneration of all directors and executives of the Company is determined by the Board.

The Company is committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with best practice and also takes into account the best interests of shareholders. Where possible/relevant remuneration packages are based on fixed and variable components determined by the Executives' position, experience and performance and may be satisfied via cash or equity.

Non-executive Directors are remunerated at a level that is consistent with industry standards and shareholder approval is required prior to any participation in any issue of equity. No retirement benefits are payable, other than statutory superannuation, if applicable.

The aim of the Directors is to increase shareholder wealth through successfully achieving the Consolidated Entity's primary objectives. During the Consolidated Entity's exploration phase these objectives are not linked to company earnings. Instead the successful completion of agreements securing the rights to significant potash resources and discovery of other resources through exploration are expected to drive shareholder wealth.

The Company did not engage the services of a remuneration consultant during the year.

B Details of remuneration

Details of the remuneration of the key management personnel of the Consolidated Entity (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity) and specified executives of Kazakhstan Potash Corporation Limited, are set out in the following tables.

12 month period ended 31 December 2017	**Short-term benefits**			**Post-employment benefits**	**Long-term benefits**	**Share-based payments**	
Name	**Cash salary and fees**	**Bonus**	**Non-Monetary[1]**	**Super-annuation**	**Long service leave**	**Equity-Settled**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Directors							
Executive Directors							
Madam Freada Cheung[4, 5]	45,000	-	230,920	-	-	1,326,846	1,602,766
Mr. Terence Wong[4, 5]	292,705	-	-	3,012	-	117,751	413,468
Mr. Marco Marcou[2, 4, 5]	245,000	-	-	-	-	81,346	326,346
Mr. Wang Baolin[4, 5]	58,372	-	-	-	-	104,569	162,941
Mr. Lyu Xiaokang[4, 5]	45,000	-	-	-	-	57,846	102,846
Mr. Wei Jiafu[4, 5]	45,000	-	-	-	-	104,846	149,846
Non-Executive Directors							
Mr. Edward Wen[4, 5]	45,000	-	-	-	-	34,346	79,346
Ms. JunMei Zhang[3, 5]	60,000	-	-	-	-	23,500	83,500
	836,077	-	230,920	3,012	-	1,851,050	2,921,059

1. Non-Monetary benefits represent accommodation provided by the Consolidated Entity.
2. Represents remuneration billed through PYMA Pty Ltd.
3. Represents remuneration billed through MX Consulting Services Pty Ltd.
4. As approved by the shareholders during the Company's AGM held on 29 May 2017, the following directors' remuneration payable at 31 March 2017 were settled by shares in lieu of cash :
   - $607,144 were settled by issuing 9,340,677 shares to Madam Freada Cheung.
   - $280,000 were settled by issuing 4,307,692 shares to Mr Wei Jiafu.
   - $391,392 were settled by issuing 6,021,415 shares to Mr. Terence Wong
   - $60,000 were settled by issuing 923,077 shares to Mr. Marco Marcou
   - $190,925 were settled by issuing 2,937,308 shares to Mr. Wang Baolin.
   - $106,278 were settled by issuing 1,635,046 shares to Mr. Lyu Xiaokang.
   - $60,000 were settled by issuing 923,077 shares to Mr. Edward Wen.
5. As approved by the shareholders during the Company's AGM held on 29 May 2017, 36,000,000 ordinary shares were issued to directors (or their nominees) in recognition of the time and effort undertaken by them in the operation of KPC:
   - 28,000,000 shares were issued to Madam Freada Cheung.
   - 2,000,000 shares were issued to Mr. Wei Jiafu.
   - 1,000,000 shares were issued to Mr. Terence Wong.
   - 1,500,000 shares were issued to Mr. Marco Marcou.
   - 1,500,000 shares were issued to Mr. Wang Baolin.
   - 1,000,000 shares were issued to Mr. Lyu Xiaokang.
   - 500,000 shares were issued to Mr. Edward Wen.
   - 500,000 shares were issued to Ms. Junmei Zhang.

B Details of remuneration (continued)

12 month period ended 31 December 2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	**Cash salary and fees**	**Bonus**	**Non-Monetary[1]**	**Super-annuation**	**Long service leave**	**Equity-Settled**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Directors							
Executive Directors							
Madam Freada Cheung[4, 5]	1,893,359	-	244,722	3,116	-	2,710,895	4,852,092
Mr. Terence Wong[4, 5]	303,121	-	-	3,116	-	161,576	467,813
Mr. Marco Marcou[2, 4, 5]	245,000	-	-	-	-	100,895	345,895
Mr. Wang Baolin[4, 5]	156,130	-	-	-	-	125,640	281,770
Mr. Lyu Xiaokang[4, 5]	95,850	-	-	-	-	382,582	478,432
Mr. Wei Jiafu[4, 5]	265,000	-	-	-	-	187,263	452,263
Non-Executive Directors							
Mr. Edward Wen[4, 5]	45,000	-	-	-	-	55,895	100,895
Ms. JunMei Zhang[3, 5]	60,000	-	-	-	-	45,000	105,000
	3,063,460	-	244,722	6,232	-	3,769,746	7,084,160

1. Non-Monetary benefits represent accommodation provided by the Consolidated Entity.
2. Represents remuneration billed through PYMA Pty Ltd.
3. Represents remuneration billed through MX Consulting Services Pty Ltd.
4. As approved by the shareholders during the Company's AGM held on 30 May 2016, the following directors' remuneration payable at 31 March 2016 were settled by shares in lieu of cash :
   - $60,000 were settled by issuing 631,579 shares to Madam Freada Cheung.
   - $163,333 were settled by issuing 1,719,298 shares to Mr Wei Jiafu.
   - $171,396 were settled by issuing 1,804,168 shares to Mr. Terence Wong
   - $60,000 were settled by issuing 631,579 shares to Mr. Marco Marcou
   - $105,357 were settled by issuing 1,109,021 shares to Mr. Wang Baolin.
   - $480,021 were settled by issuing 5,052,853 shares to Mr. Lyu Xiaokang.
   - $60,000 were settled by issuing 631,579 shares to Mr. Edward Wen.
5. As approved by the shareholders during the Company's AGM held on 30 May 2016, 38,000,000 ordinary shares and 39,000,000 options were issued to directors (or their nominees) in recognition of the time and effort undertaken by them in the operation of KPC:
   - 30,000,000 shares and 30,000,000 options were issued to Madam Freada Cheung.
   - 1,000,000 shares and 2,000,000 options were issued to Mr. Wei Jiafu.
   - 1,000,000 shares and 1,000,000 options were issued to Mr. Terence Wong.
   - 1,000,000 shares and 1,000,000 options were issued to Mr. Marco Marcou.
   - 1,000,000 shares and 1,000,000 options were issued to Mr. Wang Baolin.
   - 3,000,000 shares and 3,000,000 options were issued to Mr. Lyu Xiaokang.
   - 500,000 shares and 500,000 options were issued to Mr. Edward Wen.
   - 500,000 shares and 500,000 options were issued to Ms. Junmei Zhang.

Voting and comments made at the Company's Annual General Meeting ("AGM")

At the 29 May 2017, 99.99% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Directors	**Duration**	**Notice Required**	**Remuneration**
Executive Directors			
Madam Freada Cheung	No fixed term	3 Months	Director's fee of $60,000 per annum
Mr. Wei Jiafu	No fixed term	N/A	Director's fee of $60,000 per annum
Mr. Terence Wong	No fixed term	2 Months	Remuneration of $250,000 and Director's fee of $60,000 per annum
Mr. Marco Marcou	No fixed term	4 Months	Remuneration of $200,000 and Director's fee of $60,000 per annum
Mr. Wang Baolin	No fixed term	N/A	Remuneration of CNY240,000 for Jan to Apr 2017 and Director's fee of $60,000 per annum
Mr. Lyu Xiaokang	No fixed term	N/A	Director's fee of $60,000 per annum
Non-Executive Directors			
Mr. Edward Wen	No fixed term	N/A	Director's fee of $60,000 per annum
Ms. JunMei Zhang	No fixed term	N/A	Director's fee of $60,000 per annum

No termination payments are stipulated in the service agreements, other than payment in lieu of notice periods.

D Share-based compensation

Issue of shares

On 5 June 2017, 36,000,000 shares were issued at an issue price of $0.047 to Directors as reward and incentive, as approved at general meeting of 29 May 2017.

Director	**No. of shares**	**Value per shares as at grant date**	**Total $**
Madam Freada Cheung	28,000,000	0.047	1,316,000
Mr. Wei Jiafu	2,000,000	0.047	94,000
Mr. Terence Wong	1,000,000	0.047	47,000
Mr. Marco Marcou	1,500,000	0.047	70,500
Mr. Wang Baolin	1,500,000	0.047	70,500
Mr. Lyu Xiaokang	1,000,000	0.047	47,000
Mr. Edward Wen	500,000	0.047	23,500
Ms. Junmei Zhang	500,000	0.047	23,500
	36,000,000		1,692,000

Apart from above, and the settlement of cash component into shares as outlined in Part B, no shares were granted or issued to directors and other key management personnel as compensation during the year ended 31 December 2017 or 31 December 2016.

Options

No options were vested, granted or issued to directors and other key management personnel as part of compensation during the year ended 31 December 2017.

E Additional information

The losses of the Consolidated Entity over the last five years / period are summarised below:

	Period ended 31 Dec 2013	Year ended 31 Dec 2014 (restated)	Year ended 31 Dec 2015	Year ended 31 Dec 2016	Year ended 31 Dec 2017
	$	$	$	$	$
Loss after income tax	(35,409,836)	(55,972,657)	(24,978,197)	(21,870,079)	(8,087,944)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	Period ended 31 Dec 2013	Year ended 31 Dec 2014 (restated)	Year ended 31 Dec 2015	Year ended 31 Dec 2016	Year ended 31 Dec 2017
	$	$	$	$	$
Share price at financial year/ period end ($A)*	1.00	0.25	0.155	0.070	0.021
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(23.28)	(18.92)	(5.59)	(3.61)	(1.07)

* Share price for 31 December 2013 represents last trading price before trading suspension.

Additional disclosures relating to key management personnel

	Consolidated	
	2017	**2016**
	$	**$**
Payment of loan interest to China Asia Resources Fund (related entity of Madam Cheung)	91,238	43,216
Receipt of loan interest from China Asia Resources Fund (related entity of Madam Cheung)	5,550	223,299
Loans from related parties:		
Loan from China Asia Resources Fund (director related entity of Madam Cheung)	207,266	5,434,589
Accrued interest on loan from China Asia Resources Fund	929	2,673
Loans to related parties:		
Loan to MAP ET-China Holding Pty Limited (director related entity of Marco Marcou)	50,000	-

E Additional information (continued)

Additional disclosures relating to key management personnel (continued)

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year[1]	Shares in lieu of cash remuneration	Shares to directors[3]	Disposals/ other	Balance at the end of the year[2]
Ordinary shares					
Madam Freada Cheung	63,326,769	9,340,677	28,000,000	-	100,667,446
Mr. Wei Jiafu	2,719,298	4,307,692	2,000,000	-	9,026,990
Mr. Terence Wong	3,815,857	6,021,415	1,000,000	-	10,837,272
Mr. Marco Marcou	3,073,336	923,077	1,500,000	(5,486,413)	10,000
Mr. Wang Baolin	2,294,373	2,937,308	1,500,000	-	6,731,681
Mr. Lyu Xiaokang	9,208,506	1,635,046	1,000,000	-	11,843,552
Mr. Edward Wen	1,383,230	923,077	500,000	-	2,806,307
Ms. JunMei Zhang	751,651	-	500,000	-	1,251,651
	86,573,020	26,088,292	36,000,000	(5,486,413)	143,174,899

1. Or date of appointment.
2. Or date of resignation.
3. On 5 June 2017, 36,000,000 shares were issued at an issue price of $0.047 to Directors as reward and incentive, as approved at general meeting of 29 May 2017.

Convertible notes holding
The number of notes in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year[1]	Received as part of remuneration	Additions[3]	Disposals/ Other[3]	Balance at the end of the year[2]
Convertible notes					
Madam Freada Cheung	23,525,000	-	23,525,000	(23,525,000)	23,525,000
Mr. Wei Jiafu	-	-	-	-	-
Mr. Terence Wong	70,000	-	70,000	(70,000)	70,000
Mr. Marco Marcou	75,000	-	75,000	(150,000)	-
Mr. Wang Baolin	-	-	-	-	-
Mr. Lyu Xiaokang	-	-	-	-	-
Mr. Edward Wen	120,000	-	120,000	(120,000)	120,000
Ms. JunMei Zhang	65,000	-	65,000	(65,000)	65,000
	23,855,000	-	23,855,000	(23,930,000)	23,780,000

1. Or date of appointment.
2. Or date of resignation.
3. On 5 June 2017, replacement convertible notes were issued to holders of original convertible notes that were expired on 25 November 2017. The new notes will mature on 25 November 2019. At the same time, two options were granted for each replacement convertible note issued, at an exercise price of $0.10 per option exercisable within 3 years of date of issue.

E Additional information (continued)

Additional disclosures relating to key management personnel (continued)

Options holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year[1]	Granted[3]	Exercised	Expired/ forfeited/ other	Balance at the end of the year[2]
Options					
Madam Freada Cheung	46,000,000	59,050,000	-	-	105,050,000
Mr. Wei Jiafu	2,000,000	-	-	-	2,000,000
Mr. Terence Wong	3,000,000	140,000	-		3,140,000
Mr. Marco Marcou	3,000,000	150,000	-	(1,150,000)	2,000,000
Mr. Wang Baolin	3,000,000	-	-	-	3,000,000
Mr. Lyu Xiaokang	13,000,000	-	-	-	13,000,000
Mr. Edward Wen	1,500,000	240,000	-	-	1,740,000
Ms. JunMei Zhang	1,500,000	130,000	-	-	1,630,000
	73,000,000	59,710,000	-	(1,150,000)	131,560,000

1. Or date of appointment.
2. Or date of resignation.
3. On 5 June 2017, replacement convertible notes were issued to holders of original convertible note that were expired on 25 November 2017. The new notes will mature on 25 November 2019. At the same time, two options were granted for each replacement convertible note issued, at an exercise price of $0.10 per option exercisable within 3 years of date of issue.

Shares under option

Unissued ordinary shares of Kazakhstan Potash Corporation Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
7 January 2015	7 January 2018	$1.00	17,000,000
7 January 2015	7 January 2018	$1.50	17,000,000
2 June 2016	2 June 2019	$0.20	39,000,000
20 April 2017	19 April 2020	$0.055	92,424,400
5 June 2017	5 June 2020	$0.10	60,000,000

Shares issued on the exercise of options
There were no ordinary shares of Kazakhstan Potash Corporation Limited issued during the year ended 31 December 2017 and up to the date of this report on the exercise of options granted.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The Company has not, during or since the financial year, indemnified or agreed to indemnify the directors and/or executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable.

E Additional information (continued)

Indemnity and insurance of officers (continued)

During the financial year, the Company paid a premium in respect of a contract to insure the directors of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

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 page 17.

E Additional information (continued)

Auditor
BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Marco Marcou
Director
21 March 2018

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

As lead auditor of Kazakhstan Potash Corporation Limited for the year ended 31 December 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Wai Aw
Partner

Melbourne, 21 March 2018

Kazakhstan Potash Corporation Limited
Corporate Governance Statement
For the year ended 31 December 2017

Details of the Company's corporate governance practices which were approved at the same time as this Annual Report are included in the Corporate Governance Statement set out on the Company's website. This URL on the website is located at:

http://kazakhpotash.com/about/corporate-governance/

Kazakhstan Potash Corporation Limited
Financial report
For the year ended 31 December 2017

Contents

General information

The financial report covers Kazakhstan Potash Corporation Limited as a Consolidated Entity consisting of Kazakhstan Potash Corporation Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Kazakhstan Potash Corporation Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 Level 27, 101 Collins Street, Melbourne, VIC 3000, Australia.

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 21 March 2018. The directors have the power to amend and reissue the financial report.

Kazakhstan Potash Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	2017 $	2016 $
Revenue from continuing operations	4	9,115,062	738,097
Share of results of joint venture	11	(60,382)	57,694
Expenses			
Employee expenses		(4,312,894)	(8,954,420)
Depreciation and amortisation expenses	5	(98,831)	(110,349)
Exploration costs		(154)	(52,137)
Consulting fees	5	(267,499)	(164,083)
Legal and other professional fees		(506,890)	(2,340,363)
Marketing and promotion expenses		(40,377)	(73,499)
Regulatory listing fees		(49,286)	(327,350)
Occupancy expenses	5	(708,045)	(882,873)
Telecommunication		(11,473)	(29,845)
Travel expenses		(64,052)	(505,395)
Finance costs	5	(7,570,229)	(5,001,116)
(Loss)/Gain on disposal of plant and equipment		(1,134)	173,106
Other expenses		(179,239)	(401,155)
Impairment of assets	5	(3,662,742)	(3,310,034)
Realised foreign exchange gain/(loss)		330,221	(686,357)
Loss before income tax from continuing operations		(8,087,944)	(21,870,079)
Income tax expense	6	-	-
Loss after income tax for the year		(8,087,944)	(21,870,079)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1,392,160)	668,681
Total comprehensive income for the year		(9,480,104)	(21,201,398)
Loss for the year is attributable to:			
Owners of the Company		(8,053,960)	(21,848,315)
Non-controlling interest		(33,984)	(21,764)
		(8,087,944)	(21,870,079)
Total comprehensive income for the year is attributable to:			
Owners of the Company		(9,526,263)	(21,179,634)
Non-controlling interest		46,159	(21,764)
		(9,480,104)	(21,201,398)
Loss per share from continuing operations attributable to the owners of Kazakhstan Potash Corporation Limited		**Cents**	**Cents**
Basic earnings per share	34	(1.07)	(3.61)
Diluted earnings per share	34	(1.07)	(3.61)

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 31 December 2017

	Note	2017	2016
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	7	647,910	4,821,901
Other assets	8	386,365	305,103
Total current assets		1,034,275	5,127,004
Non-current assets			
Financial assets	9	324,599	348,027
Intangible assets	10	1,807	8,045
Investment in joint venture	11	3,358,298	3,710,450
Plant and equipment	12	350,065	579,172
Exploration and evaluation assets	13	99,760,724	100,545,913
Total non-current assets		103,795,493	105,191,607
Total assets		104,829,768	110,318,611
Liabilities			
Current liabilities			
Accrued expenses and other payables	14	1,565,805	2,424,827
Financial liabilities	15	766,037	24,549,068
Total current liabilities		2,331,842	26,973,895
Non-current liabilities			
Financial liabilities	16	19,627,251	8,848,721
Deferred tax liabilities	17	17,208,393	17,208,393
Provisions	18	140,160	150,651
Total non-current liabilities		36,975,804	26,207,765
Total liabilities		39,307,646	53,181,660
Net assets		65,522,122	57,136,951
Equity			
Issued capital	19	208,385,358	194,364,276
Reserves	20	(3,486,636)	(4,422,115)
Accumulated losses	21	(138,256,050)	(131,114,090)
Equity attributable to the owners of Kazakhstan Potash Corporation Limited		66,642,672	58,828,071
Non-controlling interest		(1,120,550)	(1,691,120)
Total equity		65,522,122	57,136,951

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 year ended 31 December 2017

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Non-controlling interest $**	**Total equity $**
Balance as at 1 January 2016	**190,329,041**	**22,371,254**	**(137,205,575)**	**(1,669,356)**	**73,825,364**
Loss after income tax for the year	-	-	(21,848,315)	(21,764)	(21,870,079)
Other comprehensive income for the year, net of tax	-	668,681	-	-	668,681
Total comprehensive income for the year	-	668,681	(21,848,315)	(21,764)	(21,201,398)
Transactions with owners in their capacity as owners:					
Transfer on expiry of options (Note 21)	-	(28,839,800)	28,839,800	-	-
Reversal of Forbearance Agreement (Note 21)	-	900,000	(900,000)	-	-
Shares issued in lieu of payment for services (Note 19)	198,000	-	-	-	198,000
Shares issued in lieu of cash remuneration for directors (Note 19, 35)	799,026	-	-	-	799,026
Shares issued in lieu of cash remuneration for senior employees (Note 19, 35)	86,209	-	-	-	86,209
Issue of options to directors (Note 20, 35)	-	477,750	-	-	477,750
Shares issued to directors as reward and incentives (Note 19, 35)	2,622,000	-	-	-	2,622,000
Shares issued as purchase consideration for acquiring Prodrill Exploration LLP (Note 32)	330,000	-	-	-	330,000
Balance as at 31 December 2016	194,364,276	(4,422,115)	(131,114,090)	(1,691,120)	57,136,951

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Non-controlling interest $**	**Total equity $**
Balance as at 1 January 2017	**194,364,276**	**(4,422,115)**	**(131,114,090)**	**(1,691,120)**	**57,136,951**
Loss after income tax for the year	-	-	(8,053,960)	(33,984)	(8,087,944)
Other comprehensive income for the year, net of tax	-	(1,472,303)	-	80,143	(1,392,160)
Total comprehensive income for the year	-	(1,472,303)	(8,053,960)	46,159	(9,480,104)
Transactions with owners in their capacity as owners:					
Transfer on expiry of convertible notes (Note 21)	-	(912,000)	912,000	-	-
Options issued to directors (Note 20, 35)	-	341,250	-	-	341,250
Options issued to placees	-	2,403,034	-	-	2,403,034
Options issued to convertible notes holders	-	1,099,909	-	-	1,099,909
Shares placement (Note 19)	2,786,000	-	-	-	2,786,000
Shares issued as loan settlement (Note 16, 19)	7,965,106	-	-	-	7,965,106
Shares issued in lieu of payment for services (Note 19)	204,600	-	-	-	204,600
Shares issued in lieu of cash remuneration for directors (Note 19, 35)	1,226,150	-	-	-	1,226,150
Shares issued in lieu of cash remuneration for senior employees (Note 19, 35)	209,280	-	-	-	209,280
Shares issued to directors as reward and incentives (Note 19, 35)	1,692,000	-	-	-	1,692,000
Capital raising cost	(62,054)	-	-	-	(62,054)
Non-controlling interests foreign currency translation reserve portion	-	(524,411)	-	524,411	-
Balance as at 31 December 2017	208,385,358	(3,486,636)	(138,256,050)	(1,120,550)	65,522,122

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 year ended 31 December 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Interest received	4	12,797	263,184
Payments to suppliers and employees		(2,697,788)	(8,878,332)
Net cash used in operating activities	33	(2,684,991)	(8,615,148)
Cash flows from investing activities			
Acquisition of asset, net of cash acquired	32	-	1,600
Investment in joint venture		-	(3,652,756)
Purchase of plant and equipment	12	(639)	(84,069)
Payment for tenements and exploration expenditure	13	(224,749)	(495,060)
Proceeds from disposal of plant and equipment		-	173,106
Loans repayment from other parties		935,834	9,090,116
Loans advanced to other parties		(4,623,762)	(12,086,321)
Net cash used in investing activities		(3,913,316)	(7,053,384)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		2,723,947	-
Proceeds from borrowings		11,512,808	12,506,253
Repayment of borrowings		(11,430,049)	(3,860,140)
Net cash provided by financing activities		2,806,706	8,646,113
Net decrease in cash and cash equivalents		(3,791,601)	(7,022,419)
Cash and cash equivalents at the beginning of the financial year		4,821,901	11,808,989
Effects of exchange rate changes on cash		(382,390)	35,331
Cash and cash equivalents at the end of the financial year	7	647,910	4,821,901

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, 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 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]
The consolidated entity has applied AASB 2014-3 from 1 January 2016. The amendments provide an option to account for investments in subsidiaries, associates and joint ventures in your separate financial statements using the equity method as described in AASB 128 Investments in Associates and Joint Ventures.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134, 1049]
The consolidated entity has applied AASB 2014-3 from 1 January 2016. Materiality must be applied to lists of minimum disclosure items. The order of notes may change so that material items appear earlier in the notes than immaterial items, including accounting policies either being included in relevant notes or relegated to the end of the notes.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in Note 29.

Note 1. Significant accounting policies (continued)

Going Concern

For the year ended 31 December 2017, the Consolidated Entity incurred a loss after income tax expenses of $8,087,944 from continuing operations, and had net cash outflows from operating activities of $2,684,991. At 31 December 2017, the Consolidated Entity has net current liability of $1,297,567. At 31 December 2017, the Consolidated Entity reported cash and cash equivalents of $647,910 and management has prepared cash flow budgets 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:

- The Consolidated Entity has received an on-going financial support letter dated 13 March 2018 from China-Asia Resources Fund (CAR Fund), an entity related to Madam Cheung the Managing Director and Chairperson of the Consolidated Entity. The financial support is for a period of at least 12 months from the date of the letter.
- 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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kazakhstan Potash Corporation Limited as at 31 December 2017 and the results of all subsidiaries for the year then ended. Kazakhstan Potash Corporation Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Note 1. Significant accounting policies (continued)

Principles of consolidation (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial report is presented in Australian dollars, which is Kazakhstan Potash Corporation Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans and advances

Loans and advances are recognised at fair value less any provision for impairment.

Collectability of loans and advances is reviewed on an ongoing basis. Amounts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of loans and receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose

Note 1. Significant accounting policies (continued)

Investments and other financial assets (continued)

of the acquisition and subsequent reclassification to other categories is restricted. For unlisted investments, the Consolidated Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets
The Consolidated Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Joint Venture

The Consolidated Entity has applied *AASB 11 Joint Arrangements* to its joint venture arrangements. Under AASB 11, investments in joint arrangements are classified as either operations or joint ventures depending on the contractual rights and obligations each investor has. The Consolidated Entity has assessed the nature of its joint arrangements and determined it to be a joint venture. Joint Ventures are accounted for using the equity method in the Consolidated Entity's consolidated financial statements.

Under the equity method of accounting, investments in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Consolidated Entity's share of the post-acquisition profits or losses and movements in other comprehensive income. When Consolidated Entity's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Consolidated Entity's net investment in the joint ventures), the Consolidated Entity does not recognise further losses, unless has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Consolidated Entity and its joint ventures are eliminated to the extent of the Consolidated Entity's investments in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed when necessary to ensure consistency with the policies and adopted by the Consolidated Entity.

The Consolidated Entity determined at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Consolidated Entity calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to share of results of the joint venture, in the consolidated income statements.

Note 1. Significant accounting policies (continued)

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	Over lease term
Computer and office equipment	1 - 10 years
Furniture and fixtures	2 - 15 years
Motor vehicles	3 - 7 years
Machinery	6 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the period in which the decision is made.

Accrued expenses and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on the bank overdraft
- interest on short-term and long-term borrowings

Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Employee benefits (continued)

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 1. Significant accounting policies (continued)

Business combinations (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Company assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Company's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Company remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Kazakhstan Potash Corporation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 31 December 2017. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity currently plans to adopt this standard from 1 January 2018 and is reviewing the financial statements and carrying out a further assessment to identify the impacts in more details, as well as the system and commercial impacts of adoption. It is not expected to have a material impact on the Consolidated Entity’s financial statements.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. 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 those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Consolidated Entity currently plans to adopt this standard from 1 January 2018. Based on the initial assessment, there is no impact from this adoption as the Consolidated Entity is still under exploration stage.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The key messages and implications of the standard are that 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, by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation. The requirements for lessor accounting have been carried forward from AASB 117 Leases largely unchanged. Optional exemptions exist for a short-term leases (12 months or less) and low value leases where you may elect to recognise the lease payments in profit or loss on a straight line basis, or another systematic manner that depicts the pattern of expected benefits, instead of applying the recognition and measurement requirements in AASB 16. These exemptions apply on a lease-by-lease basis. One will no longer recognise straight-line expenses for operating lease costs. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability. When initially measuring the right-of-use asset and lease liability, non-cancellable lease payments (including inflation-linked payments), as well as payments for option periods which the entity is reasonably certain to exercise, must be included in the present value calculation. Contingent (e.g. turnover linked) rentals will not be capitalised into the right-of-use asset but continue to be expensed in profit or loss. The Consolidated Entity currently plans to adopt this standard from 1 January 2019. An initial assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Consolidated Entity's financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of loans and advances
The provision for impairment of loan receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the individual borrower's financial position.

Estimation of useful lives of assets
The Consolidated Entity determines the estimated useful lives and related depreciation charges for its plant and equipment and intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. To date, the Consolidated Entity has not recognised any deferred tax assets on the basis that there is insufficient certainty over the Company's ability to utilize these losses in future periods to offset taxable profits. See Note 17.

Measurement of Convertible Notes
On the issue of convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and the difference between this amount and the issue price of the convertible notes is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The estimate of a market rate for an equivalent non-convertible bond is a key accounting estimate.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalized on the basis that the Consolidated entity will commence commercial production in the future, from which time the costs will be amortized in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalized which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalized. In addition, costs are only carried forward if they are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalized costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. 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.

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 4. Revenue

	Consolidated 2017 $	Consolidated 2016 $
Interest income	12,797	263,184
Gains from issue of shares	469,589	464,431
Other income (i)	8,632,676	10,482
Total revenue	9,115,062	738,097

(i) The other income of $8,632,676 refers to the profit on de-recognition arising as a result of the changeover of the convertible notes. The effective interest on the new notes will unwind over 2.5 years to maturity date of 25 November 2019 of the new notes and offset this gain over time.

Note 5. Expenses

	Consolidated 2017 $	Consolidated 2016 $
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Leasehold improvements	8,780	-
Computer and office equipment	46,988	53,242
Furniture and fixtures	6,200	6,703
Motor vehicle	5,468	13,757
Machinery	25,510	30,828
Intangible assets	5,885	5,819
Total depreciation and amortisation	98,831	110,349
Consulting fees	267,499	164,083
Finance costs		
Interest expense	5,167,195	5,001,116
Loss on the issue of equity instruments in lieu of cash repayments	2,403,034	-
Total finance costs	7,570,229	5,001,116
Rental expense relating to operating leases	708,045	882,873
Superannuation expense		
Defined contribution superannuation expense	15,657	89,768
Impairment of assets		
Impairment of fixed asset/intangible assets on acquisition of Prodrill	120,000	-
Reversal of impairment of receivable from ex-employee	-	(47,962)
Bad debt provision of car rental deposit & miscellaneous	-	41,515
Loan to Satimola Limited (Note 9)	3,542,742	2,625,496
Option fee to Satimola (Note 8)	-	690,985
Total impairment of assets	3,662,742	3,310,034

Note 6. Income tax expenses

	Consolidated 2017 $	2016 $
Current tax expenses	-	-
Income tax expenses	-	-
Reconciliation between prima facie tax on loss from ordinary activities to statutory income tax expense		
Loss on ordinary activities before income tax	(8,087,944)	(21,870,079)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(2,426,383)	(6,561,024)
Add tax effect of :		
Differences in tax rates	947,798	718,753
Non-deductible items, temporary differences and losses not recognised	1,478,585	5,842,271
Income tax expense	-	-

The benefit of tax losses has not been brought to account at 31 December 2017 because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time.

These tax losses are also subject to final determination by the Taxation authorities when the Group derives taxable income. The benefits will only be realised if:

(a) The Company and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;

(b) The Company and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and

(c) No changes in the tax legislation adversely affect the Company and its subsidiaries in realising the benefit of the losses.

Australian tax losses are subject to further review by the Consolidated entity to determine if they satisfy the necessary legislative requirements under the Income Tax legislation for the carry forward and recoupment of tax losses.

Note 7. Current assets - Cash and cash equivalents

	Consolidated 2017 $	2016 $
Cash on hand	41,022	46,971
Cash at bank	605,136	4,762,421
Cash on deposit	1,752	12,509
	647,910	4,821,901

Note 8. Current assets – Other assets

	Consolidated	
	2017	2016
	$	$
Sundry debtors, deposit and other receivables	386,365	305,103
Option fee to Satimola	-	690,985
Impairment of option fee to Satimola (i)	-	(690,985)
	386,365	305,103

(i) On 4 October 2016, the Company announced that it has entered into a further agreement in relation to its proposed acquisition of all the shares on issue in Satimola Limited. KPC has agreed to pay US$500,000 as an option fee which would have been credited against the purchase price if completion occurred. The impairment provision was reversed in the current year as the option has expired during the year with the option fee been subsequently written off.

Note 9. Non-current assets – Financial assets

	Consolidated	
	2017	2016
	$	$
Restricted cash (i)	221,894	237,635
Loan - Satimola Limited (ii)	28,128,342	24,585,600
Impairment of loan to Satimola Limited (iii)	(28,128,342)	(24,585,600)
Long-term advance paid	102,705	110,392
	324,599	348,027

(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, $2,625,496 and $3,542,742 were made during the period ended 31 December 2013, year ended 31 December 2014, year ended 31 December 2015, year ended 31 December 2016 and year ended 31 December 2017 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 Satbor 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.

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.

On 4 October 2016, the Company announced that it has entered into a further agreement in relation to its proposed acquisition of all the shares on issue in Satimola Limited. KPC together with Satimola have established an operations committee to oversee the preparation of a Bankable Feasibility Study for the Satimola project at KPC's expense. KPC has engaged a global consulting firm to complete the Bankable Feasibility Study on the Satimola project. Work on the Bankable Feasibility Study has already commenced.

Note 9. Non-current assets – Financial assets (continued)

On 26 October 2017, the Company announced that it has entered into new agreement in relation to its proposed acquisition of all the shares on issue in Satimola Limited. This new agreement supersedes the previous agreement announced on 4 October 2016. Under this agreement, the purchase price is US$41 million and subject to regulatory approval, completion of proposed acquisition of Satimola is scheduled to occur within the next 9 months. The purchase price will be allocated to creditors and shareholders. The Company will advance US$1.5 million to satisfy the principal of the Commercial Discovery Bonus Satimola liability to the Kazakhstan Taxation Authorities and take direct responsibility for the balance of the necessary funds. Also the Company will pay to Satimola to meet accrued working capital and on-going working capital requirements.

The Company has the option, subject to regulatory approval, to convert the advance into 35% of the issued capital of Satimola Limited. However, if the proposed acquisition does not complete then, in certain circumstances, 25% of the issued capital of Satimola limited held by the Company, if the Company has exercised its option, will cancelled or transferred for normal consideration.

The Company is entitled to appoint two directors to the Board of Satimola and KPC must provide consent to the appointment of the Satbor general director.

Furthermore, the Company is planning to expeditiously finalise the Bankable Feasibility Study for the Satimola project at the Company's expense.

The Company does not have the power to control Satimola Limited because the Company does not have the current ability to direct the relevant activities of Satimola Limited, being exploration activities of potash reserves in Kazakhstan for purposes of extracting and selling potash on the open market because this is managed and operated by Satbor Limited Liability Partnership.

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 10. Non-current assets - Intangible assets

	Consolidated	
	2017	2016
	$	$
Intangible assets - at cost	38,158	41,199
Less: Accumulated depreciation	(36,351)	(33,154)
	1,807	8,045

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

Reconciliation
A reconciliation of the written down value at the beginning and end of the current year is set out below:

	Consolidated	
	2017	2016
	$	$
Opening balance	8,045	13,790
Foreign exchange difference	(353)	74
Amortisation expenses	(5,885)	(5,819)
Closing balance	1,807	8,045

Note 11. Investment in joint venture

Interests in a joint venture is accounted for using equity method of accounting. Information relating to the joint venture that are material to the Consolidated entity are set out below:

Name	**Principal place of business / Country of incorporation**	**Ownership interest 2017 %**	**Ownership interest 2016 %**
Chongqing Bright Road Industrial Co., Ltd. 重慶光明大道實業有限公司	People's Republic of China	51	51

Summarised statement of financial position	**2017 $**	**2016 $**
Cash and cash equivalents	2,065,960	1,220,025
Other current assets	6,413,911	7,005,280
Non-current assets	19,984	5,583
Total assets	8,499,855	8,230,888
Other current liabilities	920,304	531,941
Total liabilities	920,304	531,941
Net assets	7,579,551	7,698,947

Summarised statement of profit or loss and other comprehensive income

Revenue	274,499	61,869
Interest revenue	9,535	3,773
Exchange (loss)/gain	(10,713)	113,127
Other expenses	(297,579)	(27,934)
(Loss)/Profit before income tax	(24,258)	150,835
Income tax expense	(9,313)	(37,709)
(Loss)/Profit after income tax	(33,571)	113,126
Other comprehensive income	(84,825)	-
Total comprehensive income	(118,396)	113,126

Reconciliation of the consolidated entity's carrying amount

Opening carrying amount	3,710,450	-
Foreign exchange difference	(291,770)	-
Investment in joint venture	-	3,652,756
Share of (loss)/profit after income tax	(60,382)	57,694
Closing carrying amount	3,358,298	3,710,450

	2017 $	**2016 $**
Contingent liabilities	-	-

Note 11. Investment in joint venture (continued)

Commitments	2017	2016
Committed at the reporting date but not recognised as liabilities, payable:	$	$
Lease commitments	-	3,719

KPC can appoint 60% of the board (3 out of 5 directors). All decision require a 67% approval (two-third of the board) and some decisions require unanimous consent. This requires the adoption of equity accounting for this joint venture.

Note 12. Non-current assets - Plant and equipment

	Consolidated	
	2017	2016
	$	$
Leasehold improvements – at cost	307,529	334,226
Less: Accumulated depreciation	(301,794)	(318,644)
	5,735	15,582
Computers and office equipment – at cost	192,137	209,288
Less: Accumulated depreciation	(143,974)	(106,489)
	48,163	102,799
Furniture and fixtures – at cost	53,495	61,993
Less: Accumulated depreciation	(25,760)	(25,947)
	27,735	36,046
Motor vehicles – at cost	35,167	37,799
Less: Accumulated depreciation	(31,650)	(28,349)
	3,517	9,450
Machinery – at cost	324,004	449,784
Less: Accumulated depreciation	(59,089)	(34,489)
	264,915	415,295
Total plant and equipment	350,065	579,172

Note 12. Non-current assets - Plant and equipment (continued)

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

Consolidated	Leasehold improvements $	Computers and office equipment $	Furniture and fixtures $	Motor vehicles $	Machinery $	Total $
Balance at 1 Jan 2016	-	94,486	36,519	23,252	-	154,257
Acquisition of assets & subsidiary at 28 Apr 2016 (Note 32)	-	567	-	-	442,954	443,521
Additions	15,582	61,820	6,667	-	-	84,069
Foreign exchange difference	-	(832)	(437)	(45)	3,169	1,855
Depreciation expense	-	(53,242)	(6,703)	(13,757)	(30,828)	(104,530)
Balance at 31 Dec 2016	15,582	102,799	36,046	9,450	415,295	579,172
Additions	-	639	-	-	-	639
Impairment	-	-	-	-	(120,000)	(120,000)
Disposal	-	(1,111)	-	-	-	(1,111)
Foreign exchange difference	(1,067)	(7,176)	(2,111)	(465)	(4,870)	(15,689)
Depreciation expense	(8,780)	(46,988)	(6,200)	(5,468)	(25,510)	(92,946)
Balance at 31 Dec 2017	5,735	48,163	27,735	3,517	264,915	350,065

Note 13. Non-current assets - Exploration and evaluation assets

	Consolidated 2017 $	Consolidated 2016 $
Opening balance	100,545,913	99,663,946
Additions	224,749	495,060
Foreign exchange difference	(1,009,938)	386,907
Closing balance	99,760,724	100,545,913

Recoverability of costs
Recoverability of the carrying amount of the exploration and evaluation assets disclosed above is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Restrictions on title and exploration and evaluation assets pledged as security
None of the exploration and evaluation assets of the Consolidated Entity have been pledged as security and there are currently no restrictions on the title of the Consolidated Entity to these assets.

Note 14. Current liabilities – Accrued expenses and other payables

	Consolidated	
	2017	2016
	$	$
Accrued expenses and sundry creditors	456,302	432,600
Salary and pension payable	1,109,503	1,992,227
	1,565,805	2,424,827

Note 15. Current liabilities – Financial Liabilities

	Consolidated	
	2017	2016
	$	$
Face value of convertible note - 2013 (i)	-	30,000,000
Discount on convertible note - 2013 (i)	-	(5,450,932)
Related party loan (ii)	208,195	-
Other loans (iii)	557,842	-
	766,037	24,549,068

(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.

The convertible notes were replaced on 5 June 2017. See Note 16 for details.

(ii) To provide funds to support the continued development of the Company, CAR Fund, an entity controlled by Madam Cheung, entered into an advance agreement with the Company and the sum of equivalent $208,195 was advanced by the CAR Fund before 31 December 2017. The loan is unsecured, with an interest rate of 9% per annum and the loan amount has been fully repaid in January 2018.

(iii) Other loans represent an unsecured loan from a third party, Glory Success Enterprise Ltd, with an interest rate of 9% per annum and the loan amount has been fully repaid in March 2018 by issuing shares of the Company.

Note 16. Non-current liabilities - Non-current financial liabilities

	Consolidated	
	2017	**2016**
	$	**$**
Face value of convertible note - 2017 (i)	30,000,000	-
Discount on convertible note - 2017 (i)	(10,372,749)	-
Related party loan (ii)	-	5,437,262
Other loans (iii)	-	3,411,459
	19,627,251	8,848,721

(i) On 25 November 2013, the Company issued 30,000,000 Original convertible notes and 60,000,000 options to China-Asia Resources Fund. The 30,000,000 Original Convertible Notes mature on 25 November 2017 on which date the Company will be required to repay $30,000,000 to the holders of the Original Convertible Notes unless they are converted in the meantime. From that date, interest at the rate of 12% per annum is payable in respect of any monies not repaid on that date.

As approved by the shareholders in a general meeting dated 29 May 2017, each of the holders of the Original Convertible Notes has agreed in principle to replace the Original Convertible Notes with new convertible notes (Replacement Convertible Notes) on the same terms as the Original Convertible Notes (and Options) except for the following key terms:

(1) Each holder of the Original Convertible Notes will be issued 2 new Options for each Replacement Convertbile Note issued to him or her at an exercise price of $0.10 per Option exercisable at any time within 3 years of their date of issue;
(2) The Replacement Convertible Notes will mature on 25 November 2019, a 2 year extension compared to the maturity date under the Original Convertible Notes;
(3) On conversion, each holder of the Replacement Convertible Notes will be issued 5 Shares at a conversion price of $0.20 per Share for each Replacement Convertible Note converted; and
(4) On conversion, the holder of the Replacement Convertible Notes will be issued with 2 options for each replacement Convertible Note converted at an exercise price of $0.10 per Option exercisable at any time within 3 years of their date of issue.

(ii) To provide funds to support the continued development of the Company, CAR Fund, an entity controlled by Madam Cheung, entered into an advance agreement with the Company and the sum of equivalent $5,434,589 was advanced by the CAR Fund before 31 December 2016. The loan is unsecured, and the balance above includes accrued interest of $2,673, which is calculated at 9% per annum. The loan amount plus interest has been fully repaid in March 2017.

(iii) Other loans represent (i) $3,204,244 from Wise Concept - an unsecured loan of HKD23,300,000 was borrowed in year ended 2016 from Wise Concept of which incurs interest rate of 9% per annum which was fully repaid in Oct 2017; and (ii) $207,215 from Silvery Luxe - Prodrill Exploration LLP, the Company's subsidiary in Kazakhstan, has entered into a loan agreement on 22 May 2016 with Silvery Luxe Limited whereby non-interest bearing loan would be provided by Silvery Luxe Limited at the limit of USD200,000 for a period of up to 36 months. First funding was received at USD150,000 on 17 June 2016. The loan amount has been fully repaid in Oct 2017 by issuing new shares of the Company.

Note 17. Non-current liabilities - Deferred tax

	Consolidated	
	2017	2016
	$	$
Deferred tax on acquisition of the Batys Kali LLP	17,208,393	17,208,393
	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 year (31 December 2016: $Nil).

There are unrecognised deferred tax assets arising from tax losses. The gross amount of deductible temporary differences and unused tax losses for which no deferred taxes have been brought to account:

- temporary differences $91,963,970 (2016: $19,134,668)
- tax losses: operating losses $22,159,516 (2016: $21,131,278)
- tax losses: capital losses $9,034,237 (2016: $9,034,237)

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 18. Non-current liabilities - Provisions

	Consolidated	
	2017	2016
	$	$
Rehabilitation reserve on acquisition of the Batys Kali LLP	239,281	239,281
Foreign exchange difference	(99,121)	(88,630)
	140,160	150,651

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 19. Equity - Issued capital

	Consolidated		Consolidated	
	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares - fully paid	958,468,528	634,529,081	139,481,358	125,460,276
Treasury shares (i)	120,000,000	120,000,000	68,904,000	68,904,000
Total	**1,078,468,528**	**754,529,081**	**208,385,358**	**194,364,276**

At the beginning of the financial year	**754,529,081**	**695,642,804**	**194,364,276**	**190,329,041**
Shares placement	69,650,000	-	2,786,000	-
Shares issued as loan settlement (Note 16,35)	180,119,292	-	7,965,106	-
Shares issued in lieu of cash remuneration for directors	26,088,292	11,580,077	1,226,150	799,026
Shares issued in lieu of cash remuneration for senior employees	7,281,863	1,306,200	209,280	86,209
Shares issued in lieu of payment for services	4,800,000	3,000,000	204,600	198,000
Shares issued to directors as reward and incentive	36,000,000	38,000,000	1,692,000	2,622,000
Shares issued as purchase consideration for acquiring Prodrill Exploration LLP (Note 32)	-	5,000,000	-	330,000
Capital raising costs	-	-	(62,054)	-
At end of the financial year	**1,078,468,528**	**754,529,081**	**208,385,358**	**194,364,276**

(i) Treasury shares include 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.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 19. Equity - Issued capital (continued)

Capital risk management (continued)

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions.

The capital risk management policy remains unchanged from the 31 December 2016 Annual Report.

Note 20. Equity – reserves

	Share option	Foreign currency	Others	Total
	$	$	$	$
Balance at 1 Jan 2016	29,630,301	(7,271,047)	12,000	22,371,254
Foreign currency translation	-	668,681	-	668,681
Options expired	(28,839,800)	-	-	(28,839,800)
Equity portion on convertible notes	-	-	900,000	900,000
Issue of options to directors	477,750	-	-	477,750
Balance at 31 Dec 2016	1,268,251	(6,602,366)	912,000	(4,422,115)

	Share option	Foreign currency	Others	Total
	$	$	$	$
Balance at 1 Jan 2017	1,268,251	(6,602,366)	912,000	(4,422,115)
Foreign currency translation	-	(1,996,714)	-	(1,996,714)
Convertible notes expired	-	-	(912,000)	(912,000)
Conversion right of convertible notes	-	-	1,099,909	1,099,909
Issue of options to directors	341,250	-	-	341,250
Issue of options to lenders	2,403,034	-	-	2,403,034
Balance at 31 Dec 2017	4,012,535	(8,599,080)	1,099,909	(3,486,636)

Note 21. Equity - Accumulated losses

	Consolidated	
	2017	2016
	$	$
At beginning of the financial year	131,114,090	137,205,575
Loss after income tax for the year	8,053,960	21,848,315
Transfer from share option reserve on expiry of options (Note 20)	-	(28,839,800)
Convertible notes expired	(912,000)	-
Reversal of Forbearance Agreement	-	900,000
At the end of financial year	138,256,050	131,114,090

Note 22. Equity – Dividends

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

Note 23. Financial Instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. These include monitoring levels of exposure to interest rate, and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Aging analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts. The Board reviews and agrees policies for managing each of these risks as summarised below.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and development of appropriate procedures, controls and risk limits. Finance identifies, evaluates and as far as possible, takes action to mitigate financial risks within the Consolidated Entity's operating units.

Market risk

Foreign currency risk
The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
Consolidated	**$**	**$**	**$**	**$**
US dollars	252,989	259,251	2,533	2,744
Hong Kong dollars	854,373	5,672,920	365,454	1,363,288
Chinese Renminbi	9,922	38,238	2,360	9,613
Tenge	135,704	148,650	594,643	823,994
	1,252,988	6,119,059	964,990	2,199,639

Based on this exposure, had the Australian dollar weakened/strengthened by 10%/10% (2016: weakened/strengthened by 10%/10%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the period would have been $28,800 lower/higher (2016: $391,942 lower/higher) and equity would have been $28,800 higher/lower (2016: $391,942 higher/lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual realised and unrealised foreign exchange gain for the year ended 31 December 2017 was $330,221 (2016: loss of $686,356).

Price risk
The Consolidated Entity is not exposed to any significant price risk.

Interest rate risk

The Consolidated Entity is not exposed to any significant interest rate risk as its main interest rate risk is limited to its variable rate cash and cash equivalent assets. Other borrowings have fixed or zero interest rate and interest rate risk is managed by constant monitoring of interest rates.

Note 23. Financial Instruments (continued)

Financial risk management objectives (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

The Consolidated Entity has the following material credit risk exposure which is neither past due nor impaired, on the following assets:

	Consolidated	
	2017	**2016**
	$	**$**
Cash and cash equivalents (excluding cash on hand)	606,888	4,774,930
Non-current financial assets	324,599	348,027
	931,487	5,122,957

Cash and cash equivalents are held with large financial institutions with strong credit ratings.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Note 23. Financial instruments (continued)

Financial risk management objectives (continued)

Liquidity Risk (Continued)

Consolidated 2017	**Weighted average interest rate %**	**1 year or less $**	**Between 1 - 2 years $**	**Between 2 -5 years $**	**Over 5 years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Accrued expenses and sundry creditors	-	1,565,805	-	-	-	1,565,805
Interest-bearing - fixed rate						
Financial Liabilities	9	766,037	-	-	-	766,037
Non-current financial liabilities	25 (i)	-	30,000,000	-	-	30,000,000
Total non-derivatives		2,331,842	30,000,000	-	-	32,331,842

Consolidated 2016	**Weighted average interest rate %**	**1 year or less $**	**Between 1 - 2 years $**	**Between 2 -5 years $**	**Over 5 years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Accrued expenses and sundry creditors	-	2,424,827	-	-	-	2,424,827
Interest-bearing - fixed rate						
Financial Liabilities	25 (i)	30,000,000	-	-	-	30,000,000
Non-current financial liabilities	8.79	-	8,641,506	207,215	-	8,848,721
Total non-derivatives		32,424,827	8,641,506	207,215	-	41,273,548

(i) Weighted average interest rate represents the effective rate of interest calculated by applying value of options issued in lieu of interest. The liabilities do not pay cash interest.

Note 24. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated 2017 $	**Consolidated 2016 $**
Cash salary & non-monetary benefits	1,066,997	3,308,182
Share based payment benefits	1,851,050	3,769,746
Post-employment benefits	3,012	6,232
	2,921,059	7,084,160

Related party transaction
Related party transactions are set out in Note 28.

Note 25. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company, its network firms and non-BDO network firms:

	Consolidated	
	2017	**2016**
	$	**$**
BDO East Coast Partnership		
Audit or review of the financial statements	130,000	98,000
BDO network firms		
Audit or review of the financial statements	48,858	18,244
Non-BDO network firms		
Audit or review of the financial statements	28,600	34,836
	207,458	151,080

Note 26. 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 31 December 2017.

Note 27. Commitments

	Consolidated	
	2017	**2016**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	511,521	926,309
Between two to five years	-	544,382
	511,521	1,470,691

Operating lease commitments includes contracted amounts for various offices and residential properties under non-cancellable operating leases expiring within one to three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 27. Commitments (continued)

	Consolidated	
	2017	2016
	$	$
Exploration obligations to be undertaken:		
Within one year	496,316	491,340
Between two to five years	-	-
More than to five years	-	-
	496,316	491,340

The Consolidated Entity has certain obligations to expend 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.

Per the Company's announcement on 26 October 2017, KPC has entered into a new agreement in relation to its proposed acquisition of all the shares on issue in Satimola Limited. Under the agreement, KPC has agreed to pay Satimola the sum of USD100,000 per month as working capital.

Under the Joint Venture Agreement with CMAG, the Consolidated Entity will need to pay an additional capital of RMB3.69 million during the next year based on Article of Association amended in January 2018, subject to further extension.

Note 28. Related party transactions

Parent entity
Kazakhstan Potash Corporation Limited is the Parent Entity.

Subsidiaries
Interests in subsidiaries are set out in Note 30.

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

	Consolidated	
	2017	2016
	$	$
Payment of loan interest to China Asia Resources Fund (related entity of Madam Cheung)	91,238	43,216
Receipt of loan interest from China Asia Resources Fund (related entity of Madam Cheung)	5,550	223,299

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

Note 28. Related party transactions (continued)

	Consolidated	
	2017	2016
	$	$
Director fee payable for service of Madam Cheung	45,000	45,000
Director fee payable for service of Terence Wong	45,000	45,000
Director fee payable for service of Edward Wen	45,000	45,000
Director fee payable for service of JunMei Zhang	171,000	111,000
Director fee payable for service of Wang Baolin	45,000	45,000
Director fee payable for service of Lyu Xiaokang	45,000	45,000
Director fee payable for service of Marco Marcou	45,000	45,000
Director fee payable for service of Wei Jiafu	45,000	45,000
Salary payable to Madam Cheung	-	580,664
Salary payable to Terence Wong	242,698	263,767
Salary payable to Wang Baolin	10,454	105,558
Salary payable to Lyu Xiaokang	-	49,113
Salary payable to Wei Jiafu	-	220,000
Salary payable to Marco Marcou	16,665	16,665
	755,817	1,661,767

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

Loans from related parties:		
Loan from China Asia Resources Fund (director related entity of Madam Cheung)	207,266	5,434,589
Accrued interest on loan from China Asia Resources Fund	929	2,673
Loans to related parties:		
Loan to MAP ET-China Holding Pty Limited (director related entity of Marco Marcou)	50,000	-

Note 29. Parent entity information

Set out below is the supplementary information about the Parent Entity.

	Parent	
	2017	2016
	$	$
Loss after income tax for the year	(9,480,105)	(21,201,397)
Total comprehensive income for the year	(9,480,105)	(21,201,397)
Total current assets	105,809	46,899
Total assets	89,170,771	90,914,156
Total current liabilities	1,507,012	25,132,136
Total liabilities	23,648,649	33,777,205
Equity		
Issued Capital	208,385,358	194,364,276
Reserves	5,112,444	2,180,250
Accumulated losses	(147,975,680)	(139,407,575)
Total equity	65,522,122	57,136,951

Note 29. Parent entity information (continued)

Refer to Note 26 for information of contingent liabilities which also impact the parent company.

Significant accounting policies
The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in Note 1, except that investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.

Note 30. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

			Equity holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2017** %	**2016** %
Aktobe Tuz LLP	Kazakhstan	Ordinary	100	100
Batys Kali LLP	Kazakhstan	Ordinary	95	95
CK Resources Trading Investment Limited (Formerly Kazakhstan Potash Corporation Limited)	Hong Kong	Ordinary	100	100
East Global Limited	British Virgin Islands	Ordinary	100	-
Fortis Mining (Beijing) Limited	China	Ordinary	100	100
Fortis Mining (Hong Kong) Limited	Hong Kong	Ordinary	100	100
Fortis Potash Resources Limited	Hong Kong	Ordinary	100	100
Ji'an Resources Investment Limited	Hong Kong	Ordinary	100	100
KPC Drilling Ltd	Hong Kong	Ordinary	100	100
KPC Fertiliser International Limited	Hong Kong	Ordinary	100	100
KPC Fortis Fertiliser Limited	Hong Kong	Ordinary	100	100
KPC Fortis Investment Limited	Hong Kong	Ordinary	100	100
KPC Investment Limited	Hong Kong	Ordinary	100	100
Prodrill Exploration LLP	Kazakhstan	Ordinary	100	100
Sino Beverley Limited	British Virgin Islands	Ordinary	100	100
WIYOT S.A.	Panama	Ordinary	100	100
Worldwide Capital Limited	British Virgin Islands	Ordinary	100	100

There is no deregistration of company during current year.

Note 31. Events after the reporting period

On 2 March 2018, 18,860,000 and 40,380,000 shares were issued at an issue price of $0.026 as share placement and loan settlement of $1,049,880 respectively. 358,273 shares were issued to senior employees of KPC and its subsidiaries (or their nominees) in lieu of cash remuneration at a nominal issue price of $0.026 per share.

Note 32. Acquisition of asset

On 28 April 2016, the Company entered into an agreement through KPC Drilling Ltd with Central Asia Resources Consultancy Limited under which it would acquire a 100% beneficial interest in Prodrill Exploration LLP that owns 2 drill rigs in Kazakhstan. The Company issued 5,000,000 shares to the seller as consideration on 19 October 2016 with respect to this transaction 45 days following the re-registration of the Company in the Kazakhstani government authority.

As the transaction is not deemed a business acquisition, the transaction must be accounted for as a share based payment for the net assets acquired.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

The fair value of the assets acquired at the date of acquisition and share based payments are outlined as follows:

	28 Apr 2016
	$
Purchase consideration	
Cash paid	-
Shares in lieu of cash (5,000,000 shares at $0.09 nominal value)	450,000
Total purchase consideration	450,000

	Fair Value
	$
Cash and cash equivalents	1,600
Other current assets	3,306
Non-current financial assets	1,521
Property, plant and equipment	76,741
Trade and other payables	52
Net assets acquired	83,220

The difference of $366,780 between purchase consideration and net asset acquired is capitalized as plant and equipment on consolidation and is amortized on straight-line basis as for the two drill rigs held by Prodrill Exploration LLP.

Note 33. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax for the year	(8,087,944)	(21,870,079)
Adjustments for:		
Depreciation and amortisation	98,831	110,349
Foreign exchange differences	(45,190)	780,971
Impairment of assets	3,662,742	3,310,034
Loss/(gain) on disposal of plant and equipment	1,134	(173,106)
Non-cash income	(9,102,265)	(474,913)
Non-cash interest expense	7,468,489	4,960,560
Non-cash consulting fees and other expenses	134,600	210,000
Share of results of joint venture	60,382	(57,694)
Issue of share options to directors	-	477,750
Shares issued to directors as reward and incentive	2,033,250	2,622,000
Shares issued to directors in lieu of cash remuneration	219,964	452,622
Shares issued to senior employees in lieu of cash remuneration	209,280	117,558
Decrease/(increase) in other current assets	44,983	(531,729)
Increase in accrued expenses and other payables	616,753	1,450,529
Net cash used in operating activities	(2,684,991)	(8,615,148)

Note 34. Earnings per share

	Consolidated 2017 $	Consolidated 2016 $
Loss per share from continuing operations		
Loss after income tax attributed to the owners	(8,053,960)	(21,848,315)
	Shares	**Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	757,550,488	605,861,971
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	757,550,488	605,861,971
	Cents	**Cents**
Basic earnings per share	(1.07)	(3.61)
Diluted earnings per share	(1.07)	(3.61)

Share options and convertible bond on issue are not dilutive as conversion would result in an increase of loss per share.

Note 35. Share-based payments

(i) On 20 Apr 2017, 46,212,200 shares were issued at an issue price of $0.051 as loan repayment. 92,424,400 options were issued at the same time with an exercise price of $0.055 per option expiring 19 Apr 2020.
(ii) On 24 May 2017, 36,000,000 shares were issued at an issue price of $0.047 as loan repayment.
(iii) On 24 May 2017, 1,800,000 shares were issued at an issue price of $0.047 for consultancy fee payment.
(iv) On 5 June 2017, 26,088,292 shares were issued at an issue price of $0.047 to Directors in lieu of cash remuneration.
(v) On 5 June 2017, 36,000,000 shares were issued at an issue price of $0.047 to Directors as reward and incentive.
(vi) On 29 June 2017, 3,565,000 shares were issued at an issue price of $0.017 to senior employees in lieu of cash remuneration for Apr 2016 to Mar 2017.
(vii) On 30 October 2017, 97,907,092 shares were issued at an issue price of $0.04 as loan repayment.
(viii) On 30 October 2017, 3,716,863 shares were issued at an issue price of $0.04 to senior employees in lieu of cash remuneration for Apr to Sep 2017.
(ix) On 30 October 2017, 3,000,000 shares were issued at an issue price of $0.04 for professional services provided in relation to the Chongqing joint venture.

Set out below are summaries of outstanding options granted as share based payments:

31 December 2017

Grant Date	Expiry Date	Exercise Price	Balance at beginning of Year	During the Year Granted	During the Year Exercised	During the Year Lapsed	End of Year Outstanding	End of Year Exercisable	Weighted Average Share Price at date of exercise
07/01/15	07/01/18	$1.000	17,000,000	-	-	-	17,000,000	17,000,000	-
07/01/15	07/01/18	$1.500	17,000,000	-	-	-	17,000,000	17,000,000	-
02/06/16	02/06/19	$0.200	39,000,000	-	-	-	39,000,000	39,000,000	-
20/04/17	19/04/20	$0.055	-	52,424,400	-	-	52,424,400	52,424,400	-
20/04/17	19/04/20	$0.055	-	40,000,000	-	-	40,000,000	40,000,000	-
			73,000,000	92,424,400	-	-	165,424,400	165,424,400	-
Weighted Average Exercise Price			0.69	0.00	0.00	0.00	0.33	0.33	

31 December 2016

Grant Date	Expiry Date	Exercise Price	Balance at beginning of Year	During the Year Granted	During the Year Exercised	During the Year Lapsed	End of Year Outstanding	End of Year Exercisable	Weighted Average Share Price at date of exercise
30/06/11	30/06/16	$2.000	17,000,000	-	-	17,000,000	0	0	-
25/11/13	25/11/16	$0.300	60,000,000	-	-	60,000,000	0	0	-
15/10/14	15/10/16	$0.300	6,000,000	-	-	6,000,000	0	0	-
07/01/15	07/01/18	$1.000	17,000,000	-	-	-	17,000,000	17,000,000	-
07/01/15	07/01/18	$1.500	17,000,000	-	-	-	17,000,000	17,000,000	-
02/06/16	02/06/19	$0.200	-	39,000,000	-	-	39,000,000	39,000,000	-
			117,000,000	39,000,000	-	83,000,000	73,000,000	73,000,000	-
Weighted Average Exercise Price			0.82	0.20	0.00	0.65	0.69	0.69	

The weighted average share price during the financial year was $0.33 (2016: $0.69).
The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.62 years (2016: 1.77 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

The Black-Scholes Valuation Model

Grant date	Expiry date	Share price At grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
20 Apr 2017	19 Apr 2020	$0.051	$0.055	75%	-	2.07%	0.026

Kazakhstan Potash Corporation Limited
Directors' declaration
For the year ended 31 December 2017

In accordance with a resolution of the directors of Kazakhstan Potash Corporation Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 20 to 57, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

   b. give a true and fair view of the consolidated financial position as at 31 December 2017 and of the performance for the year ended on that date of the consolidated entity;

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

On behalf of the directors

Marco Marcou
Director

21 March 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Kazakhstan Potash Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kazakhstan Potash Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Convertible notes	***How the matter was addressed in our audit***
During the financial year, the Group replaced its $30 million convertible notes with a new $30 million convertible notes ("Replacement convertible notes"). The carrying value of the replacement convertible notes represents a significant liability for the Group. The accounting treatment for the Replacement convertible notes under accounting standard *AASB 139 Financial Instruments: Recognition and Measurement* is considered complex. Refer to Note 4, Note 15 and Note 16 of the accompanying financial report.	Our procedures to address the risk in relation to the Replacement convertible notes in accordance with the requirements of *AASB 139 Financial Instruments: Recognition and Measurement* were: • We obtained and assessed the replacement convertible notes deed poll agreement. • We agreed the replacement convertible notes to the approval of shareholders at the annual general meeting. • We reviewed the calculation of the replacement convertible notes performed by management. • We performed a review of the independent valuation report on the replacement convertible notes with the assistance from our BDO Corporate Finance team. • We consulted with our BDO IFRS Advisory team in relation to the appropriate accounting treatment for the replacement convertible notes.

Exploration and evaluation expenditures	*How the matter was addressed in our audit*
The Group has incurred significant exploration and evaluation expenditures to date which have been capitalised. The carrying value of exploration and evaluation expenditures represents significant assets of the Group. The assessment of the existence of any indicators of impairment of the carrying amount of exploration and evaluation expenditures undertaken by the entity is judgemental. In the event that indicators are identified, the assessment of the recoverable amounts of the assets is also judgemental. Refer to Note 13 of the accompanying financial report.	Our procedures to address the risk of material misstatement in relation to accounting standard *AASB 6 Exploration for and Evaluation of Mineral Resources* were: • We obtained audit evidence that the Group has valid rights to explore in the areas of interest in Kazakhstan represented by the capitalised exploration and evaluation expenditures. • We enquired with management and reviewed budgets to ensure that substantive expenditures on further exploration for and evaluation of the mineral resources in the Group's areas of interest were planned. • We enquired with management, reviewed announcements made and reviewed minutes of directors' meetings to ensure that the Group had not decided to discontinue activities in any of its areas of interest. • We evaluated the position paper provided by management regarding the carrying amount of the exploration and evaluation assets and related recoverable amounts which concluded that because there are continuing developments in these areas of interest it is likely to be recovered in full from successful development or sale and therefore no impairment is needed. • We reviewed an independent valuation report on the areas of interest in Kazakhstan commissioned by management which indicated no impairment. Our review included critically evaluating the valuation methodology and assumptions applied. • BDO Kazakhstan were engaged as our component auditor to assist with the audit of the subsidiary (Batys Kali) where the exploration and evaluation expenditures in relation to the areas of interest in Kazakhstan are recorded.

Joint venture	*How the matter was addressed in our audit*
The joint venture ("JV"), Chongqing Bright Road Industrial Co., Ltd ("CBRI") was set up near the end of the financial year 2016 and recorded material revenues and expenses. CBRI operates in an emerging market (China) that is subject to higher risk factors. Refer to Note 11 of the accompanying financial report.	Our procedures to address the risk of material misstatement in relation to the carrying value of the investment in the JV were: • Reconfirmed with management on KPC's joint control of the joint venture in the context of accounting standard *AASB 11 Joint Arrangements*. • We evaluated the position paper provided by management in relation to the new business model and proposed expansion of the business activities of the JV and reviewed minutes of shareholders' meeting to ensure they corroborate. • We obtained and assessed the revised memorandum and article of association of the JV. • BDO China were engaged as our component auditor to assist with the audit of the JV. • We compared the carrying value of the investment in the JV to KPC's 51% equity interest of the audited net assets of the JV as at 31 December 2017 which indicated no impairment.

Audit strategy for overseas operations	*How the matter was addressed in our audit*
The Group's structure comprises significant overseas operations in Kazakhstan and China. The existence of such operations heightens the importance of engaging with the component auditors to mitigate the risk associated with delivering an audit in a location and regulatory environment other than Australia.	Our procedures to address the risk of material misstatement in relation to the audit strategy for overseas operations were: • We planned and scoped our audit using a risk based approach across all key components and determine the extent of audit work to be undertaken. • We communicate with component auditors of significant subsidiaries in Kazakhstan and a joint venture in China through Group Audit Engagement Instructions, constant follow up emails and phone discussions over significant areas and findings. • We performed analytical review procedures on financial information of all components. Procedures included review of actual and prior year results.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Kazakhstan Potash Corporation Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 21 March 2018

Kazakhstan Potash Corporation Limited
Shareholder information
For the year ended 31 December 2017

The shareholder information set out below was applicable as at 13 March 2018.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	164
1,001 to 5,000	355
5,001 to 10,000	195
10,001 to 100,000	202
100,001 and over	80
	996
Holding less than a marketable parcel	595

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total share issued
Hillot Limited	195,660,576	17.19
Sly & Russell Legal Nominees Pty Ltd	120,000,000	10.54
Goldquest Services Inc.	110,000,000	9.67
J P Morgan Nominees Australia Limited	54,601,217	4.80
Glory Success Enterprise Inc	53,000,000	4.66
Wise Concept Enterprises Inc	48,400,000	4.25
Maxi Honour Co Ltd	44,000,000	3.87
Gold Image Holdings Limited	40,380,000	3.55
Mainstar Investments Ltd	40,000,000	3.51
Asia Gain Holdings Limited	38,850,000	3.41
Global Win Limited	38,300,000	3.37
Star Dynamic Limited	38,300,000	3.37
City Winner Holdings Limited	37,340,677	3.28
Mr Chan Sik Lap	31,364,583	2.76
Charming Merit Holdings Inc	30,000,000	2.64
Citicorp Nominees Pty Limited	23,561,665	2.07
West Capital Investments Ltd	17,800,000	1.56
Hsbc Custody Nominees (Australia) Limited	15,576,827	1.37
United Delight Holdings Ltd	15,000,000	1.32
Lyu Xiaokang	11,843,552	1.04
	1,003,979,097	88.23

Kazakhstan Potash Corporation Limited
Shareholder information
For the year ended 31 December 2017

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	225,424,400	13

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Hillot Limited	195,660,576	17.19
Sly & Russell Legal Nominees Pty Ltd	120,000,000	10.54
Goldquest Services Inc.	110,000,000	9.67
J P Morgan Nominees Australia Limited	54,601,217	4.80
Glory Success Enterprise Inc	53,000,000	4.66

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry Date	Number of Shares
Ordinary Shares	24 months from the date of official quotation of the Shares of the Company	-
		-

Securities subject to voluntary escrow

Class	Expiry Date	Number of Shares
Ordinary Shares	Upon confirmation of the potash resources at the Chelkar project to JORC standards	120,000,000
		120,000,000