Kazakhstan Potash Corporation Limited

ABN 57 143 441 285

Interim Report - 30 June 2018

Kazakhstan Potash Corporation Limited
Directors' report
For the half-year ended 30 June 2018

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Kazakhstan Potash Corporation Limited (referred to hereafter as the 'Company' or 'Parent entity' or 'KPC') and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

Directors

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

Madam Freada Cheung
Mr. Wei Jiafu (resigned on 27 June 2018)
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 continuing activities of the Consolidated Entity during the financial half-year consisted of the identification, acquisition, exploration and development of potash resources in the Republic of Kazakhstan to supply fertiliser products to the Chinese and the domestic Kazakhstan markets.

Review of operations

The loss for the Consolidated Entity attributable to the owners of the Company after providing for income tax and non-controlling interest amounted to $44,878,164 (30 June 2017 as restated: loss of $9,547,905).

Auditor's independence declaration

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

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

On behalf of the directors

Marco Marcou
Director

13 September 2018

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

As lead auditor for the review of Kazakhstan Potash Corporation Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

WAI AW
Partner

BDO East Coast Partnership

Melbourne, 13 September 2018

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.

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 13 September 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 half-year ended 30 June 2018

	Note	Consolidated 30 Jun 2018 $	Consolidated 30 Jun 2017 Restated $
Other income	4	10,617	1,117,427
Share of joint venture loss	10	(108,078)	(116,714)
Expenses			
Employee expenses		(682,730)	(931,348)
Share based payments		(2,266,300)	(2,356,119)
Depreciation and amortisation expense	5	(49,847)	(47,449)
Consulting fees	5	(167,629)	(2,085)
Legal and other professional fees		(199,499)	(294,278)
Marketing and promotion expenses		(1,075)	(39,353)
Regulatory listing fees		(23,392)	(25,118)
Occupancy expenses	5	(329,532)	(367,964)
Telecommunication		(2,927)	(7,940)
Travel expenses		(10,114)	(36,646)
Finance costs	5	(2,316,461)	(5,299,697)
Loss on disposal of plant and equipment		-	(1,156)
Other expenses		(47,412)	(87,911)
Impairment of assets	5	(35,508,694)	(1,355,049)
Exploration expenditure	5	(3,252,997)	-
Realised foreign exchange gain		13,314	348,098
Loss before income tax expense from continuing operations		(44,942,756)	(9,503,302)
Income tax expense		-	-
Loss after income tax expense for the half-year		(44,942,756)	(9,503,302)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		731,867	(468,247)
Total comprehensive income for the half-year		(44,210,889)	(9,971,549)
Loss for the half-year is attributable to:			
Owners of the Company		(44,878,164)	(9,547,905)
Non-controlling interest		(64,592)	44,603
		(44,942,756)	(9,503,302)
Total comprehensive income for the half-year is attributable to:			
Owners of the Company		(44,114,668)	(10,050,659)
Non-controlling interest		(96,221)	79,110
		(44,210,889)	(9,971,549)
		Cents	Cents
Loss per share from continuing operations attributable to the owners of Kazakhstan Potash Corporation Limited			
Basic earnings per share	25	(4.22)	(1.43)
Diluted earnings per share	25	(4.22)	(1.43)

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

Kazakhstan Potash Corporation Limited
Consolidated statement of financial position
As at 30 June 2018

	Note	Consolidated 30 Jun 2018 $	31 Dec 2017 Restated $
Assets			
Current assets			
Cash and cash equivalents	6	227,558	647,910
Other financial assets	7	274,862	50,000
Other assets	8	423,191	336,365
Total current assets		925,611	1,034,275
Non-current assets			
Financial assets	9	339,788	324,599
Intangible assets		365	1,807
Investment in a joint venture	10	3,577,480	3,358,298
Plant and equipment	11	306,340	350,065
Exploration and evaluation assets	12	56,200,000	99,760,724
Total non-current assets		60,423,973	103,795,493
Total assets		61,349,584	104,829,768
Liabilities			
Current liabilities			
Accrued expenses and other payables	13	2,605,916	1,565,805
Financial liabilities	14	620,102	766,037
Total current liabilities		3,226,018	2,331,842
Non-current liabilities			
Financial liabilities	15	21,923,819	19,627,251
Deferred tax liabilities	16	8,398,869	17,208,393
Provisions	17	144,125	140,160
Total non-current liabilities		30,466,813	36,975,804
Total liabilities		33,692,831	39,307,646
Net assets		27,656,753	65,522,122
Equity			
Issued capital	18	214,730,878	208,385,358
Reserves		4,471,248	4,498,252
Accumulated losses		(190,328,602)	(146,240,938)
Equity attributable to the owners of Kazakhstan Potash Corporation Limited		28,873,524	66,642,672
Non-controlling interest		(1,216,771)	(1,120,550)
Total equity		27,656,753	65,522,122

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

Kazakhstan Potash Corporation Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2018

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Non-controlling interest $**	**Total equity $**
Balance at 1 January 2017	194,364,276	(4,422,115)	(131,114,090)	(1,691,120)	57,136,951
Loss after income tax expense for the half-year (Restated)	-	-	(9,547,905)	44,603	(9,503,302)
Other comprehensive income for the half-year, net of tax	-	(502,754)	-	34,507	(468,247)
Total comprehensive income for the half-year (Restated)	-	(502,754)	(9,547,905)	79,110	(9,971,549)
Transactions with owners in their capacity as owners:					
Option issued to directors	-	341,250	-	-	341,250
Option issued to placees	-	2,338,337	-	-	2,338,337
Replacement convertible notes issued (Restated)	-	9,084,797	-	-	9,084,797
Issued shares as placement	4,048,822	-	-	-	4,048,822
Shares issued in lieu of payment of services	145,205	-	-	-	145,205
Shares issued in lieu of cash remuneration of directors	1,226,150	-	-	-	1,226,150
Shares issued to directors in recognition of service	1,692,000	-	-	-	1,692,000
Capital raising cost	(42,658)	-	-	-	(42,658)
Non-controlling interests foreign currency translation reserve portion	-	(524,411)	-	524,411	-
Balance at 30 June 2017 (Restated)	201,433,795	6,315,104	(140,661,995)	(1,087,599)	65,999,305

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

Kazakhstan Potash Corporation Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2018

(Continued)

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Non-controlling interest $**	**Total equity $**
Balance at 1 January 2018 (Restated)	208,385,358	4,498,252	(146,240,938)	(1,120,550)	65,522,122
Loss after income tax expense for the half-year	-	-	(44,878,164)	(64,592)	(44,942,756)
Other comprehensive income for the half-year, net of tax	-	763,496	-	(31,629)	731,867
Total comprehensive income for the half-year	-	763,496	(44,878,164)	(96,221)	(44,210,889)
Transactions with owners in their capacity as owners:					
Expired option/ convertible note	-	(790,500)	790,500	-	-
Share placement (Note 18)	490,360	-	-	-	490,360
Shares issued as loan repayment (Note 18, 26)	1,049,880	-	-	-	1,049,880
Shares issued in lieu of payment of services (Note 18, 26)	95,000	-	-	-	95,000
Shares issued in lieu of cash remuneration of directors (Note 18, 26)	764,564	-	-	-	764,564
Shares issued to directors as rewards & incentives (Note 18, 26)	1,906,500	-	-	-	1,906,500
Shares issued in lieu of cash remuneration of senior employees (Note 18, 26)	140,626	-	-	-	140,626
Shares issued to senior employees as rewards & incentives (Note 18, 26)	31,000	-	-	-	31,000
Shares issued as consideration for potential acquisition of MCC Resources SARLU (Note 18, 26)	1,900,000	-	-	-	1,900,000
Capital raising cost (Note 18)	(32,410)	-	-	-	(32,410)
Balance at 30 June 2018	214,730,878	4,471,248	(190,328,602)	(1,216,771)	27,656,753

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

Kazakhstan Potash Corporation Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2018

	Note	Consolidated 30 Jun 2018 $	Consolidated 30 Jun 2017 $
Cash flows from operating activities			
Interest received		1,182	50
Payments to suppliers and employees		(1,214,587)	(1,397,976)
Net cash used in operating activities	24	(1,213,405)	(1,397,926)
Cash flows from investing activities			
Purchase of plant and equipment		-	(670)
Payment for tenements and exploration expenditure		(95,389)	(242,386)
Loans advanced to other parties		(757,048)	(1,267,937)
Loans repayment from other parties		276,040	-
Net cash used in investing activities		(576,397)	(1,510,993)
Cash flows from financing activities			
Proceeds from issue of shares		490,360	-
Share issue transaction costs		(32,410)	(42,658)
Proceeds from borrowings		1,489,103	10,743,717
Repayment of borrowings		(610,758)	(9,658,487)
Net cash provided by financing activities		1,336,295	1,042,572
Net decrease in cash and cash equivalents		(453,507)	(1,866,347)
Cash and cash equivalents at the beginning of the financial period		647,910	4,821,901
Effects of exchange rate changes on cash and cash equivalents		33,155	(312,359)
Cash and cash equivalents at the end of the financial period	6	227,558	2,643,195

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Going Concern

For the period ended 30 June 2018, the Consolidated Entity incurred a loss after income tax expenses of $44,942,756 from continuing operations, and had net cash outflows from operating activities of $1,213,405. At 30 June 2018, the Consolidated Entity had cash and cash equivalents of $227,558 and management has prepared cash flow projections for a period of twelve months from the date of approval of the financial report that demonstrate the Consolidated Entity has sufficient cash to meet its obligations over this period.

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

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

- The Consolidated Entity has received an on-going financial support letter dated 23 August 2018 from China-Asia Resources Fund (CAR Fund), an entity related to Madam Cheung the Managing Director and the Chairperson of the Consolidated Entity. The financial support is for a period of at least 12 months from the date of the letter; and
- 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.

Note 2. Operating segments

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

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

Note 3. Restatement of comparatives

Correction of previously reported results following the issue of replacement convertible notes

The Consolidated Entity has reconsidered the accounting treatment in relation to the de-recognition and changeover of the Convertible Notes in the June 2017 financial year. The Consolidated Entity is satisfied with the accounting treatment and all accounting journals. During this process, the Consolidated Entity re-performed all valuations to ensure that all options were included in all the valuations.

This assessment has revealed the initial 60 million options were properly included but the additional 60 million options issued on conversion were not considered in calculating the full value of the conversion option. In addition, certain assumptions adopted in valuing the 150 million shares on conversion were incorrect.

As a result it was determined that the value attributable to the additional 60 million conversion options and the value of the 150 million shares on conversion should be $9,084,797 rather than the $1,099,909 previously reported. This gives rise to a difference of $7,984,888 to the result reported in the 30 June 2017 financial report which the Consolidated Entity has restated in this financial report.

Pursuant to the restatement the net gain or profit impact on the replacement of the convertible notes is $647,788 (Note 4) as opposed to the $8,632,676 previously reported.

Impact on consolidated statement of profit or loss and other comprehensive income:

		Consolidated		
	Note	**30 Jun 2017 Reported $**	**Adjustment $**	**30 Jun 2017 Restated $**
Other income	4	9,102,315	(7,984,888)	1,117,427
Loss after income tax expense for the half-year		(1,518,414)	(7,984,888)	(9,503,302)
Total comprehensive income for the half-year		(1,986,661)	(7,984,888)	(9,971,549)
Loss for the half year is attributable to:				
Owners of the Company		(1,563,017)	(7,984,888)	(9,547,905)
Non-controlling interest		44,603	-	44,603
		(1,518,414)	(7,984,888)	(9,503,302)
Total comprehensive income for the half year is attributable to:				
Owners of the Company		(2,065,771)	(7,984,888)	(10,050,659)
Non-controlling interest		79,110	-	79,110
		(1,986,661)	(7,984,888)	(9,971,549)

Impact on basic and diluted earnings per share:

		Consolidated		
	Note	**30 Jun 2017 Reported $ Cents**	**Adjustment $ Cents**	**30 Jun 2017 Restated $ Cents**
Loss per share from continuing operations attributable to The owners of Kazakhstan Potash Corporation Limited				
Basic earnings per share	25	(0.24)	(1.19)	(1.43)
Diluted earnings per share	25	(0.24)	(1.19)	(1.43)

Note 3. Restatement of comparatives (continued)

Impact on statement of financial position at the end of the comparative period:

	Consolidated		
	31 Dec 2017 Reported $	Adjustment $	31 Dec 2017 Restated $
Equity			
Issued capital	208,385,358	-	208,385,358
Reserves	(3,486,636)	7,984,888	4,498,252
Accumulated losses	(138,256,050)	(7,984,888)	(146,240,938)
Equity attributable to the owners of Kazakhstan	66,642,672	-	66,642,672

Note 4. Other income

	Consolidated	
	30 Jun 2018 $	30 Jun 2017 Restated $
Interest income	5,617	50
Gain on extinguishment of financial liabilities with shares	5,000	469,589
Other income (as restated) (i) (Note 3)	-	647,788
Total other income	10,617	1,117,427

(i) The other income of $647,788 for the period of 30 June 2017 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	
	30 Jun 2018	**30 Jun 2017**
	$	**$**
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Leasehold improvement	4,338	4,473
Computer and office equipment	21,555	25,059
Fixture and fittings	2,847	3,268
Motor vehicles	2,714	2,843
Machinery	16,898	8,742
Intangible assets	1,495	3,064
Total depreciation and amortisation	49,847	47,449
Consulting fees		
Advisory service fee	167,629	2,085
Finance costs		
Interest expense	2,316,461	2,961,360
Loss on the issue of equity instruments in lieu of cash repayments	-	2,338,337
	2,316,461	5,299,697
Rental expense relating to operating leases		
Office management fee & government rate	20,466	25,075
Lease payments	309,066	342,889
	329,532	367,964
Superannuation expense		
Defined contribution superannuation expense	8,167	13,607
Impairment of assets		
Impairment of fixed assets/ intangible assets on acquisition of Prodrill	-	120,000
Loans to Satimola Limited (Note 9)	270,599	1,235,049
Impairment of Batys Kali LLP exploration and evaluation assets (Note 12)	44,047,619	-
Reduction of deferred tax liability due to impairment of exploration and evaluation asset (Note 16)	(8,809,524)	-
	35,508,694	1,355,049
Exploration expenditure		
Consideration regarding MCC acquisition (i)	3,252,997	-

(i) On 26 March 2018, the Company entered into a Strategic Cooperation Agreement with Mr Cong Maohuai (the seller) under which it would acquire a 60% beneficial interest in MCC Resources SARLU (MCC) that possess exploration permit 14068 (PE14068), a property prospective for lithium, in the Democratic Republic of Congo. The Company issued 100 million shares at an issue price of $0.06 per share to the seller as part of the consideration on 26 March 2018. It accounts for the shares issued of $1,900,000 as at 30 June 2018 based on the share price of $0.019 on grant date. Cash consideration of USD1 million ($1,352,997) is payable to the seller. The transaction has not been completed as at 30 June 2018.

Note 6. Current assets - Cash and cash equivalents

	Consolidated	
	30 Jun 2018 $	31 Dec 2017 $
Cash on hand	11,368	41,022
Cash at bank	214,731	605,136
Cash on deposit	1,459	1,752
	227,558	647,910

Note 7. Current assets – Other financial assets

	Consolidated	
	30 Jun 2018 $	31 Dec 2017 $
Loan receivable – Wise Concept Enterprises Inc (i)	224,862	-
Loan receivable – MAP ET-China Holding Pty Limited (ii)	50,000	50,000
	274,862	50,000

(i) Loan receivable represents an unsecured loan advanced to a shareholder, Wise Concept Enterprises Inc, with an interest rate of 9% per annum.

(ii) Loan receivable represents an unsecured loan advanced to MAP ET-China Holding Pty Limited, a director related entity of Marco Marcou, with an interest rate of 9% per annum.

Note 8. Current assets – Other assets

	Consolidated	
	30 Jun 2018 $	31 Dec 2017 $
Sundry debtors, deposits and other receivables	423,191	336,365
	423,191	336,365

Note 9. Non-current assets – Financial assets

	Consolidated	
	30 Jun 2018 $	31 Dec 2017 $
Restricted Cash (i)	234,178	221,894
Loan – Satimola Limited (ii)	28,398,941	28,128,342
Impairment of loan to Satimola Limited (iii)	(28,398,941)	(28,128,342)
Long-term advance paid	105,610	102,705
	339,788	324,599

(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.

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

(iii) Due to the uncertainty regarding recoverability of these loans the Company has determined they be impaired as advanced given the following history of the proposed transactions.

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.

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 the 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.

On 1 May 2018, the Company announced that it is currently in dispute with the sellers in relation to certain matters arising from the performance of the agreement for the proposed acquisition by KPC through a wholly-owned subsidiary of all the shares on issue in Satimola Limited. If the dispute is unable to be resolved, there is a risk that the proposed acquisition will not proceed. The Directors will consider the reversal of the impairment allowance 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.

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.

Note 10. Investment in a joint venture

Interests in a joint venture is accounted for using the 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 30 Jun 2018 %	Ownership interest 31 Dec 2017 %
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	30 Jun 2018 $	31 Dec 2017 $
Cash and cash equivalents	3,100,470	2,065,960
Other current assets	4,410,933	6,413,911
Non-current assets	2,062,692	19,984
Total assets	9,574,095	8,499,855
Other current liabilities	1,904,607	920,304
Total liabilities	1,904,607	920,304
Net assets	7,669,488	7,579,551

Summarised statement of profit or loss and other comprehensive income	Half-year ended 30 Jun 2018 $	Half-year ended 30 Jun 2017 $
(Loss)/ revenue	(86,260)	157,148
Interest revenue	6,440	1,140
Exchange loss	-	(10,701)
Other expenses	(132,097)	(103,693)
(Loss)/ profit before income tax	(211,917)	43,894
Income tax expense	-	(9,302)
(Loss)/ profit after income tax	(211,917)	34,592
Other comprehensive income	301,854	(263,444)
Total comprehensive income	89,937	(228,852)

Reconciliation of the consolidated entity's carrying amount	30 Jun 2018 $	31 Dec 2017 $
Opening carrying amount	3,358,298	3,710,450
Foreign exchange difference	173,314	(291,770)
Share of profit/ (loss) after income tax	(108,078)	(60,382)
Share of other comprehensive income	153,946	-
Closing carrying amount	3,577,480	3,358,298

	30 Jun 2018 $	31 Dec 2017 $
Contingent liabilities	43,303	-

Note 10. Investment in a joint venture (continued)

Commitments	30 Jun 2018	31 Dec 2017
Committed at the reporting date but not recognised as liabilities, payable:	$	$
Lease commitments	67,027	-

KPC can appoint 60% of the board (3 out of 5 directors) while 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 11. Non-current assets - Plant and equipment

	Consolidated	
	30 Jun 2018	31 Dec 2017
	$	$
Leasehold Improvements – at cost	323,387	307,529
Less: Accumulated depreciation	(321,879)	(301,794)
	1,508	5,735
Computer & Office Equipment – at cost	201,710	192,137
Less: Accumulated depreciation	(173,553)	(143,974)
	28,157	48,163
Furniture and Fixtures – at cost	55,836	53,495
Less: Accumulated depreciation	(29,811)	(25,760)
	26,025	27,735
Motor Vehicles – at cost	36,162	35,167
Less: Accumulated depreciation	(35,259)	(31,650)
	903	3,517
Machinery – at cost	326,188	324,004
Less: Accumulated depreciation	(76,441)	(59,089)
	249,747	264,915
Total Plant and equipment	306,340	350,065

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

Consolidated	Leasehold Improvements $	Computers & Office Equipment $	Furniture & Fixtures $	Motor Vehicle $	Machinery $	Total $
Balance at 1 January 2018	5,735	48,163	27,735	3,517	264,915	350,065
Foreign exchange difference	111	1,549	1,137	100	1,730	4,627
Depreciation expense	(4,338)	(21,555)	(2,847)	(2,714)	(16,898)	(48,352)
Balance at 30 June 2018	1,508	28,157	26,025	903	249,747	306,340

Note 12. Non-current assets – Exploration and evaluation assets

	Consolidated	
	30 Jun 2018	31 Dec 2017
	$	$
Opening balance	99,760,724	100,545,913
Additions	95,389	224,749
Impairment (i) (Notes 5, 16)	(44,047,619)	-
Foreign exchange difference	391,506	(1,009,938)
Closing balance	56,200,000	99,760,724

(i) During this reporting period, KPC conducted an impairment assessment of its mineral assets in Kazakhstan. KPC formed the view that the Chelkar assets and the Zhilyanskoye assets have indicators of impairment as detailed in AASB 6 Exploration for and Evaluation (E&E) of Mineral Resources and specifically paragraph 20 (a and b), namely:

(a) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Zhilyanskoye – The Sub-soil Resources Use Contract ("SSRUC") continues and is valid for 48 years since its initial granting on 11 December 2008 and has completed the exploration phase and is awaiting the outcome of discussions with the Kazakhstan Ministry of Industry and Development (MID) and the Aktobe region government prior to beginning the development phase as part of mining and production.
- Chelkar – The SSRUC continues and is valid for 51 years since its initial granting on 11 December 2008. The exploration period has expired, which is an impairment indicator. However, a renewal of an extension of the exploration period has been agreed to by the MID. Documentation finalization and execution is currently under review by KPC.

(b) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Zhilyanskoye – Budgeted expenditure has been at levels necessary to maintain the good standing of the SSRUC as opposed to moving into the development stage. Movement into the development phase is pending the outcome of discussions with the MID and the Aktobe region government in relation to the city boundary and the Zhilyanskoye tenement. In addition, a relevant Kazakh mining consultant needs to assist in re-evaluating the economic feasibility of the project and its related development plan. After the completion of this process, KPC will review and update the development plan and update the budget accordingly which it believes will remove the indicator of impairment.
- Chelkar – The Company has begun planning and subsequent implementation of the final stage in the exploration program with a revised budget being developed during the course of 2018. Documents related to the project approval and related amendment to the contract which is attached to the Chelkar project have been prepared and now being reviewed by the MID and KPC with a view to execute by both parties.

When impairment indicators are present, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs of disposal and the assets value in use. In order to calculate the recoverable amount, KPC, in August 2018, commissioned CSA Global to prepare an independent valuation of the mineral assets held by KPC in Kazakhstan.

CSA Global has elected to use the valuation numbers derived by the comparative transaction valuation method to value KPC's potash projects. This approach looks at prior transactions for the property and recent arm's length transactions for comparable properties. This methodology looks at a time frame of the five years prior to the valuation date. It provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an "arm's length" transaction, for either cash or shares. These estimates are considered level 2 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are based on observable market data. KPC considered the input and the valuation approach to be consistent with the approach taken by market participants.

Note 12. Non-current assets – Exploration and evaluation assets (continued)

In the valuation assessment, the following key assumptions have been made:

The Zhilyanskoye project is a pre-development mineral asset. A range and preferred value is higher than the last five years of comparable transactions for the sylvinite component of the Zhilyanskoye mineral resources due to the advanced stage of the project and the product's high value. The Zhilyanskoye mineral resources has excellent access to transport infrastructure including rail, electricity and labour being less than 10km from the city of Aktobe. The Zhilyanskoye mineral resource covers approximately 20% of the Zhilyanskoye project area. The remaining 80% of the project area has been valued on its exploration potential and is based on a high-level assessment of the Zhilyanskoye project derived from publicly available information and data supplied by KPC.

The value attributable to the Chelkar project was based upon a review of the prospectivity and the quality of targets identified including an investigation of transactions that occurred from 1 January 2018 to 30 June 2018. The Chelkar project is considered as having significant exploration potential due to the large number of mineralised drill intersections, its general prospectivity, the absence of a requirement to reduce tenure and the substantial area of the tenure.

The assessment concludes the recoverable amount for KPC's Potash Projects as at 30 June 2018 lies within a range of $40.7 million to $71.8 million within a preferred value of $56.2 million as follows:

Valuation Methodology	Project	Mineral Asset	Ownership	Area (km sq)	Valuation (A$M)		
					Low	Preferred	High
Comparative transaction valuation method	Zhilyanskoye Mineral Resource	Pre-Development	95%	88	32.0	41.3	50.5
	Zhilyanskoye Exploration Area	Advance Exploration Area			0.7	1.3	2.0
	Subtotal – Zhilyanskoye			**88**	**32.7**	**42.6**	**52.6**
	Chelkar	Advance Exploration Area	95%	779	8.0	13.6	19.2
	Total			**867**	**40.7**	**56.2**	**71.8**

Therefore, the exploration and evaluation assets have been adjusted to reflect the aggregate asset value to $56.2 million. In relation to the Zhilyanskoye asset the recoverable amount is $42.6 million and for the Chelkar asset the recoverable amount is $13.6 million as at 30 June 2018, resulting in an impairment charge of $42.1 million and $1.9 million, respectively.

Note 13. Current liabilities – Accrued expenses and other payables

	Consolidated	
	30 Jun 2018	**31 Dec 2017**
	$	**$**
Accrued expenses and sundry creditors (i)	1,921,764	456,302
Salary and pension payable	684,152	1,109,503
	2,605,916	1,565,805

(i) On 26 March 2018, the Company entered into a Strategic Cooperation Agreement with Mr Cong Maohuai (the seller) under which it would acquire a 60% beneficial interest in MCC Resources SARLU (MCC) that possess exploration permit 14068 (PE14068), a lithium property, in the Democratic Republic of Congo. Cash consideration of USD1 million ($1,352,997) is payable to the seller as part of the consideration.

Note 14. Current liabilities – Financial liabilities

	Consolidated	
	30 Jun 2018	31 Dec 2017
	$	$
Related party loan (i)	164,061	208,195
Other loan (ii)	456,041	557,842
	620,102	766,037

(i) 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 and $164,061 were advanced by the CAR Fund before 31 December 2017 and 30 June 2018 respectively. The loan is unsecured, with an interest rate calculated at 9% per annum.

(ii) Other loans on 31 December 2017 and 30 June 2018 represent an unsecured loan from a third party, Glory Success Enterprise Ltd, with an interest rate of 9% per annum. The loan amount of $557,842 payable on 31 December 2017 has been fully repaid in March 2018 by issuing shares of the Company. The loan of $456,041 borrowed before period ended 30 June 2018 which includes accrued interest of $6,923 will be due in September 2018.

Note 15. Non-current liabilities – Financial liabilities

	Consolidated	
	30 Jun 2018	31 Dec 2017
	$	$
Face value of replacement convertible notes – 2017 (i)	30,000,000	30,000,000
Discount on replacement convertible notes – 2017 (i)	(8,076,181)	(10,372,749)
	21,923,819	19,627,251

(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 matured on 25 November 2017 on which date the Company was 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 was 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 agreed 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.

Note 16. Non-current liabilities – Deferred tax

	Consolidated	
	30 Jun 2018	31 Dec 2017
	$	$
Deferred tax on acquisition of Batys Kali LLP	8,398,869	17,208,393

Deferred tax liabilities arose: -

(i) On the acquisition of Batys Kali LLP in March 2014 in relation to the potash projects acquired.
(ii) Due to impairment of exploration and evaluation asset of $44,047,619 in June 2018 (Note 12), the related deferred tax liability is reduced by $8,809,524.

The consolidated entity has not recognised any deferred tax assets in respect of the current financial period (31 December 2017: $Nil).

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

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:
(i) The Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
(iii) There are no changes in tax legislation which would adversely affect the Consolidated Entity in realising the benefits from deducting the losses.

Note 17. Non-current liabilities – Provisions

	Consolidated	
	30 Jun 2018	31 Dec 2017
	$	$
Rehabilitation reserve on acquisition of Batys Kali LLP	140,160	239,281
Foreign exchange difference	3,965	(99,121)
	144,125	140,160

In accordance with the Kazakhstan Contracts for subsoil use Batys Kali LLP is obliged to establish a rehabilitation reserve 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 18. Equity – Issued capital

	Consolidated			
	30 Jun 2018 Shares	**31 Dec 2017 Shares**	**30 Jun 2018 $**	**31 Dec 2017 $**
Ordinary shares - fully paid	1,209,210,993	958,468,528	145,826,878	139,481,358
Treasury shares (i)	120,000,000	120,000,000	68,904,000	68,904,000
Total	**1,329,210,993**	**1,078,468,528**	**214,730,878**	**208,385,358**

Movements in ordinary share capital

	Issue date	Issue shares	Share price	$
At the beginning of the reporting period		1,078,468,528		208,385,358
Shares issued as loan repayment (Note 26)	2 March 2018	40,380,000	0.026	1,049,880
Shares placement	2 March 2018	18,860,000	0.026	490,360
Share issued to senior employees in lieu of cash remuneration (Note 26)	2 March 2018	358,273	0.022	7,883
Shares issued as consideration for acquisition of MCC Resources SARLU (Note 26)	26 March 2018	100,000,000	0.019	1,900,000
Shares issued as professional service on acquisition MCC (Note 26)	26 March 2018	5,000,000	0.019	95,000
Shares issued in lieu of cash remuneration for directors (Note 26)	12 June 2018	18,203,905	0.042	764,564
Shares issued in lieu of cash remuneration for senior employees (Note 26)	12 June 2018	5,440,287	0.0244	132,743
Shares issued to directors as reward and incentive (Note 26)	12 June 2018	61,500,000	0.031	1,906,500
Shares issued to senior employees as reward and incentive (Note 26)	12 June 2018	1,000,000	0.031	31,000
Less: Capital raising costs				(32,410)
Issued shares at the end of the reporting period		1,329,210,993		214,730,878

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

Note 19. Equity - Dividends

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

Note 20. Contingent liabilities

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

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

Other than the above, the Consolidated Entity had no contingent liabilities as at 30 June 2018.

Note 21. Commitments

	Consolidated	
	30 Jun 2018	**31 Dec 2017**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	211,296	511,521
	211,296	511,521
Exploration obligations to be undertaken		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	523,782	496,316
	523,782	496,316

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

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

Under the Joint Venture Agreement with CMAG, the Consolidated entity will need to pay an additional capital of RMB3.69 million during the year, subject to further extension.

Note 22. Related party transactions

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

	Consolidated	
	30 Jun 2018	**30 Jun 2017**
	$	**$**
Payment of loan interest to China Asia Resources Fund (related entity of Madam Cheung)	2,182	87,870
Receipt of loan interest from China Asia Resources Fund (related entity of Madam Cheung)	1,170	-

Note 22. Related party transactions (continued)

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

	Consolidated 30 Jun 2018 $	Consolidated 31 Dec 2017 $
Director fee payable for service of Madam Cheung	15,000	45,000
Director fee payable for service of Terence Wong	15,000	45,000
Director fee payable for service of Grant Thomas	59,677	-
Director fee payable for service of Edward Wen	15,000	45,000
Director fee payable for service of JunMei Zhang	161,381	171,000
Director fee payable for service of Wang Baolin	-	45,000
Director fee payable for service of Lyu Xiaokang	15,000	45,000
Director fee payable for service of Marco Marcou	15,000	45,000
Director fee payable for service of Wei Jiafu	14,500	45,000
Salary payable to Terence Wong	-	242,698
Salary payable to Grant Thomas	35,000	-
Salary payable to Wang Baolin	-	10,454
Salary payable to Marco Marcou	39,999	16,665
	385,557	755,817

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

	30 Jun 2018 $	31 Dec 2017 $
Loans from related parties:		
Loan from China Asia Resources Fund (director related entity of Madam Cheung)	162,920	207,266
Accrued interest on loan from China Asia Resources Fund	1,141	929
Loans to related parties:		
Loan to MAP ET-China Holding Pty Limited (director related entity of Marco Marcou)	50,000	50,000

Note 23. Events after the reporting period

The directors are not aware of any significant events since the end of the reporting period.

Note 24. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	30 Jun 2018	30 Jun 2017 Restated
	$	$
Loss after income tax expense for the half-year	(44,942,756)	(9,503,302)
Adjustments for:		
Depreciation and amortisation	49,847	47,449
Foreign exchange differences	(25,535)	50,340
Impairment of assets	35,508,694	1,355,049
Exploration expenditure	3,252,997	-
Loss on disposal of plant and equipment	-	1,156
Non-cash income	(9,435)	(1,117,377)
Non-cash consulting fees and other expenses	417,929	42,300
Unwinding of convertible note interest or debt interest	2,304,633	2,902,472
Option issued to placees	-	2,338,337
Share of results of a joint venture	108,078	116,714
Issue of share options to directors	-	341,250
Shares issued to directors as reward and incentive	1,937,500	1,692,000
Shares issued to directors in lieu of cash remuneration	194,434	219,964
Shares issued to senior employees in lieu of cash remuneration	132,743	60,605
Change in operating assets and liabilities:		
(Increase)/ decrease in other current assets	(89,732)	22,687
(Decrease)/ increase in accrued expenses and other payables	(52,802)	32,430
Net cash used in operating activities	(1,213,405)	(1,397,926)

Note 25. Earnings per share

	Consolidated	
	30 Jun 2018	30 Jun 2017 Restated
	$	$
Loss per share from continuing operations		
Loss after income tax attributable to the owners	(44,878,164)	(9,547,905)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,063,623,946	669,805,899
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,063,623,946	669,805,899
	Cents	Cents
Basic earnings per share	(4.22)	(1.43)
Diluted earnings per share	(4.22)	(1.43)

Note 26. Share-based payment

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

(i) On 2 March 2018, 40,380,000 shares were issued at an issue price of $0.026 per share as loan repayment.
(ii) On 2 March 2018, 358,273 shares were issued at an issue price of $0.022 for consultancy fee from October 17 to February 2018
(iii) On 26 March 2018, 100,000,000 were issued at an issue price of $0.019 as part of the consideration for acquiring 60% of MCC Resources SARLU.
(iv) On 26 March 2018, 5,000,000 were issued at an issue price of $0.019 for professional service in relation to acquisition of MCC Resources SARLU.
(v) On 12 June 2018, 18,203,905 were issued at an issue price of $0.042 to directors in lieu of cash remuneration from April 2017 to March 2018.
(vi) On 12 June 2018, 5,440,287 were issued at an issue price of $0.0244 to senior employees in lieu of cash remuneration from October 2017 to March 2018.
(vii) On 12 June 2018, 61,500,000 were issued at an issue price of $0.031 to directors as reward and incentive.
(viii) On 12 June 2018, 1,000,000 were issued at an issue price of $0.031 to senior employees as reward and incentive.

Kazakhstan Potash Corporation Limited
Directors' declaration
For the half-year ended 30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Marco Marcou
Director

13 September 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kazakhstan Potash Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kazakhstan Potash Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim*

Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO East Coast Partnership

BDO

WAI AW
Partner

Melbourne, 13 September 2018