# Kazakhstan Potash Corporation Limited

**ABN 57 143 441 285**

# 2018 Annual Report

## Corporate Directory

For the year ended 31 December 2018

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|---|---|
| Directors | Madam Freada Cheung (Executive Chairperson)<br>Mr. Senlin Liu (Executive Director, appointed as Executive Director on 3 December 2018, as Chief Executive Officer on 13 December 2018, as Managing Director on 14 January 2019, ceased Executive Chairperson but remain as Managing Director on 05 July 2019, ceased from 10 December 2019)<br>Mr. Terence Wong (Executive Director)<br>Mr. Marco Marcou (Executive Director) (ceased from 31 May 2019)<br>Mr. Grant Thomas (Executive Director and Chief Technical Officer) (appointed 16 March 2018, ceased from 8 May 2019)<br>Mr. Kaihua Ge (Executive Director) (appointed on 3 December 2018)<br>Mr. Junheng Li (Executive Director) (appointed on 14 January 2019)<br>Mr. Xiaokang Lyu (Executive Director) (ceased from 14 January 2019)<br>Ms. Jaylin Xiaorong Mao (Executive Director) (appointed on 14 January 2019, ceased from 10 December 2019)<br>Mr. Edward Wen (Non-Executive Director) (ceased from 14 March 2019)<br>Ms. Jingjing Wang (Non-Executive Director) (appointed on 25 March 2019, ceased from 9 September 2019)<br>Mr. Jiafu Wei (Executive Director) (ceased from 27 June 2018)<br>Mr. Baolin Wang (Executive Director) (ceased from 16 March 2018)<br>Ms. Junmei Zhang (Non-Executive Director) (ceased from 16 March 2018)<br>Mr. Yu Sun (Non-Executive Director) (appointed from 5 July 2019, ceased from 30 December 2019)<br>Mr. Dong Xie (Non-Executive Director) (appointed from 18 July 2019, ceased from 8 November 2019)<br>Mr. Hao Chen (Non-Executive Director) (appointed from 28 November 2019)<br>Mr. Yuanzhi Jiang (Non-Executive Director) (appointed from 12 November 2019)<br>Mr. Andrew Chan (Non-Executive Director) (appointed from 1 March 2020) |
| Company secretary | Mr. Marco Marcou (ceased from 31 May 2019)<br>Mr. Andrew Chan (appointed from 1 March 2020) |
| Registered office and principal place of business | Level 27<br>101 Collins Street<br>Melbourne, 3000 Victoria<br>Phone: +61 3 9221 6373 |
| Share register | Computershare<br>452 Johnston Street<br>Abbotsford, VIC 3067<br>Phone: +61 3 9415 5000 |
| Auditor | BDO East Coast Partnership<br>Tower 4, Level 18,<br>727 Collins Street<br>Melbourne, VIC 3008 |
| Solicitors | Norton Rose Fulbright<br>Level 15<br>485 Bourke Street<br>Melbourne, VIC 3000 |

## Corporate Directory

For the year ended 31 December 2018

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| 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 2018.

**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:

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| Madam Freada Cheung | |
| Mr. Senlin Liu | appointed on 3 December 2018, ceased from 10 December 2019 |
| Mr. Terence Wong | |
| Mr. Marco Marcou | ceased from 31 May 2019 |
| Mr. Grant Thomas | appointed on 16 March 2018, ceased from 8 May 2019 |
| Mr. Kaihua Ge | appointed on 3 December 2018 |
| Mr. Junheng Li | appointed on 14 January 2019 |
| Mr. Xiaokang Lyu | ceased from 14 January 2019 |
| Ms. Jaylin Xiaorong Mao | appointed on 14 January 2019, ceased from 10 December 2019 |
| Mr. Edward Wen | ceased from 14 March 2019 |
| Ms. Jingjing Wang | appointed on 25 March 2019, ceased from 9 September 2019 |
| Mr. Jiafu Wei | ceased from 27 June 2018 |
| Mr. Baolin Wang | ceased from 16 March 2018 |
| Ms. Junmei Zhang | ceased from 16 March 2018 |
| Mr. Yu Sun | appointed on 5 July 2019, ceased from 30 December 2019 |
| Mr. Dong Xie | appointed on 18 July 2019, ceased from 8 November 2019 |
| Mr. Yuanzhi Jiang | appointed on 12 November 2019 |
| Mr. Hao Chen | appointed on 28 November 2019 |
| Mr. Andrew Chan | appointed on 1 March 2020 |

There being no provision in the Company's Articles of Association for retirement by rotation, all directors shall continue in office.

**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 fertilizer 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 $49,284,013. (2017 as restated: $16,038,848).

***Zhilyanskoye Project***
KPC, through Batys Kali LLP, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Zhilyanskoye potash deposit. The SSRUC is valid for 48 years since its initial granting on 11 December 2008.

The Zhilyanskoye Project is located approximately 5-10 km south west of the city of Aktobe in the north western region of Kazakhstan. 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.

**Review of operations (Continued)**

***Zhilyanskoye Project (Continued)***
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% K2O:
  - Indicated Mineral Resources of 66.7 Mt grading 19.24% K2O; and
  - Inferred Mineral Resources of 55.2 Mt grading 17.86% K2O.

- A total of 987.7 Mt of Mineral Resources containing polyhalite mineralization at the cut-off grade of 5% K2O:
  - Indicated Mineral Resources of 769.4 Mt grading 8.1% K2O, and
  - Inferred Mineral Resources of 214.3 Mt grading 7.32% K2O.

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

SSRUC related compliance and associated activities continue on the project during the past year.

***Chelkar Project***
KPC, through Batys Kali LLP, holds a Sub-soil Resources Use Contract ("SSRUC") for the exploration and development of the Chelkar potash and magnesium deposit. The SSRUC is valid for 51 years since its initial granting on 11 December 2008.

The Chelkar Project is located approximately 100 km south of the city of Uralsk in north western Kazakhstan. 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 occurrences of sylvinite and carnallitite mineralization in the area.

SSRUC related compliance and associated activities continue on the project during the past year.

***Satimola Project***
On 24 October 2018, the Board of KPC announced that it made a General Offer for Satimola Limited ("Satimola"). Satimola, through its wholly-owned entity, Satbor LLP ("Satbor"), holds the Satimola potash deposit in the Republic of Kazakhstan.

On 14 November 2018, KPC announced that the minimum threshold it set in relation to the General Offer as announced on 24 October 2018, for Satimola Shareholders, Converting Note Holders and Creditors had been achieved.

The Satimola deposit is located in the West Kazakhstan Province, 220 km north of the Ural River port of Atyrau near the Caspian Sea and 70 km north of the town of Inderbor. It is currently understood to be one of the largest in Kazakhstan, containing JORC-compliant Indicated and Inferred potash Resources of 6 billion tonnes grading 15.5% $K_2O$ (Table 1).

**Table 1. Satimola potash Resources at 10% $K_2O$ cut-off**

| Mineral Resources (JORC) | Tonnes (million) | Grade (% $K_2O$) |
|---|---|---|
| Indicated | 3,100 | 16.2 |
| Inferred | 2,900 | 17.4 |
| Total | 6,000 | 15.5 |

*Note: KPC ASX release 1.12.2014, Satimola Independent Geological Report produced by Tetra Tech, December 2014; The Resources quoted have an effective date of 28th February 2011 and key assumptions are detailed in the Tetra Tech IGR, December 2014.*

**Review of operations (Continued)**

***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 |
| Satimola | Inderbor, Kazakhstan | 1391 | - | 74 |

**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 except for the progression of acquisition of Satimola and the exit from all Democratic Republic of Congo (DRC) projects.

**Matters subsequent to the end of the financial year**
KPC is in the process of finalising the final payments for the Satimola transaction and expects completion to occur between March and June 2020 when the third tranche payment is made. The second tranche payment was made to all General Offer participants in May 2019. Between November – December 2018 a Rights Issue was conducted under the Satimola Limited terms of the Memorandum and Articles of Association. The Rights Issue was seeking to raise US$580,618 via the issue of 29,030,880 shares on the basis of ten additional shares for every one currently held with the price at US$0.02/share for each new share. In January 2020, the share allocation from the Rights Issue was completed and registered with the British Virgin Islands registry where Satimola Limited is domiciled. At the conclusion of the Rights Issue KPC Fortis Fertilizer Limited (a 100% owned subsidiary of KPC) was the only participant. The funds raised dealt with outstanding liabilities, including tax issues and working capital. At the conclusion of the Rights Issue the share capital owned by KPC Fortis Fertilizer Limited equated to 96%.

On 24 March 2019 KPC entered into a Consulting Agreement, for the purpose of preparing a solution trial mining plan for the potash deposit owned by KPC. The Consultant was engaged by KPC to perform work and render services in connection with providing mining property technical consultancy services in consultation with KPC. 80 million KPC Ordinary Shares were issued to the Consultant on 25 March 2019 as consideration for the technical consultancy services. On 25 March 2019, 10,000,000 shares were issued at an issue price of $0.02 to senior employees as reward and incentive.

On 26 March 2019, an agreement has been executed in relation to the termination of the acquisition of the 60% equity stake in Société MCC Resource SARL (MCC), which holds 100% of a Mining License 14068 (PE14068). The key terms of the agreement to exit from the Société MCC Resource SARL acquisition are that KPC cease all activity in the DRC and the return by the vendor of 82 million KPC shares, paid as part consideration to the MCC vendor by KPC. The agreement contemplated the return of the shares which KPC plans to facilitate via an off-market transfer to a third-party buyer with the proceeds going to KPC. The agreement with MCC to terminate the acquisition is in addition to not proceeding any further with the Memorandum of Understanding (MoU), signed with Mining Mineral Resources SARL to acquire 51% of the Malemba Lithium Project, and, the MOU signed with La Société Katanga Copperbelt Mining SA to acquire 51% of the Kikata North and Mifumbi Copper-Cobalt Projects.

**Matters subsequent to the end of the financial period (Continued)**

On 5 December 2019, revised terms in relation to the CAR Fund $30 million Convertible Notes was agreed between the CAR Fund and KPC, with a Term Sheet executed by both parties. Under the terms of the new agreement the CAR Fund, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes in lieu of interest and for agreeing to enter into the new Convertible Note for a four-year period, the CAR Fund (or its nominee) will be issued 1.5 billion fully paid ordinary shares in the Company. The agreement is subject to shareholder approval.

On 26 December 2019, KPC sold its interest in its joint venture in Chongqing Bright Road Industrial Co Ltd that it had with Chongqing Material of Agricultural Production (Group) Co Ltd (CMAG). As announced to the market on 23 August 2016, the Company entered into a joint venture with CMAG to develop a fertiliser logistics and distribution hub to supply all the major fertiliser producers in China. The Board determined that KPC should focus its efforts on its potash projects in Kazakhstan and therefore reached agreement to sell its interest in the joint venture. Under the terms of the agreement the transaction was for $1.5 million payable in two tranches. The first tranche of $150,000 is due in late March early April 2020 and the balance before 30 September 2020.

KPC executed two Convertible Note agreements totaling $10 million. The first Convertible Note is for $6.5 million with the CWSI Group Limited (CWSI) and was executed on 31 December 2019. The Convertible Note's key terms are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. Under the terms of the agreement CWSI, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the Convertible Notes, CWSI (or its nominee) will be issued 325 million fully paid ordinary shares in the Company. Under the terms of the agreement, KPC can, on request, draw down against the $6.5 million. To date, KPC has drawn down $6.5 million which has been used to settle liabilities on the Kazakhstan projects, payments in relation to the Satimola Limited transaction and general working capital.

The second Convertible Note agreement is with Harvest Leader International Limited (HLL) for $3.5 million and was executed on 15 February 2020. The Convertible Note's key terms are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. Under the terms of the agreement, HLL also agrees to make available funds up to $3.5 million to the Company on application which has not been drawn down on to date. HLL, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the Convertible Notes, HLL (or its nominee) will be issued 175 million fully paid ordinary shares in the Company. The balance of funding from both Convertible Notes will be used for general working capital.

Both Convertible Notes are subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting which will be called in due course.

The uncertainty around COVID-19 globally and the subsequent actions taken by governments around the world to mitigate its spread may impact the planned development activities for the Kazakhstan Projects. Management is continuously monitoring the evolving situation and are taking actions to minimise the impact of COVID-19 on the business, but it is not possible to reliably estimate the extent of any potential effect at present.

**Likely developments and expected results of operations**

The key objective of KPC continues to be to establish itself as a key potash producer through the development of its three potash projects in Kazakhstan. The activities planned for the course of the next 12 months are focused on continuing the development of Kazakhstan projects.

Zhilyanskoye project: as announced by the Company on 25 March 2019 a selective solution mining approach had been selected for possible implantation on the project. A review process was established with the Ministry of Investment and Infrastructure's (MII). After an extended consultation period with the MII, the advice forthcoming was that a traditional shaft mining approach was preferred for the development of the project. Given the feedback from the MII, the Company will now focus its development efforts on the design of a traditional shaft mining approach. Since the exploration phase of this project has completed the Company will be preparing for commencement of mining stage which includes at the first stage project engineering (Kazakhstan Feasibility Project Development Plan (Kazakhstan standards) - Traditional Shaft Mining approach), development of environmental impact report and approval of work program with the Ministry. In addition, pre bankable feasibility study work will be initiated as the design works completes.

Chelkar project: during the period it is planned to have the work program for additional exploration drilling approved by the MII which is in process. On the results of the drilling work the Company will complete a JORC report and Jurisdictional Compliant Feasibility Study (JCFS). Based on the JORC findings and the JCFS the Company shall transit from exploration to mining (apply to the MII and obtain mining rights).

Satimola project: In the period the prime focus will be on updating the country specific Kazakhstan Government Feasibility Project development plan (2013) in conjunction with the MII. Pre-bankable feasibility study work will begin as the update the Kazakhstan Government Feasibility Project finalizes.

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**

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|---|---|
| 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: | In the last three years, Madam Cheung has not held any other directorships in publicly listed companies. |
| Interest in shares: | 160,096,017 ordinary shares |
| Interest in options: | 59,050,000 Options at an exercise price of $0.10/Option expiring 5/6/2020<br>30,000,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in convertible notes: | 23,525,000, convertible into shares at $0.20 each |

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| Name: | **Mr. Junheng Li (appointed Executive Director 14 January 2019, appointed as Chief Executive Officer, 1 March 2020)** |
| Title: | Chief Executive Director/Executive Director |
| Experience and expertise: | Mr. Li has built a strong career in logistics over the past 30 years in China. He is currently the Chairperson of Heilongjiang Zhongxin Warehousing and Transportation Logistics Co., Ltd and Managing Director of both the China Association of Port-of-Entry and Logistics Association of China. Prior to these roles, Mr. Li held the position of General Manager of Guangdong Xinxing Company. |
| Other directorships: | In the last three years, Mr. Li has not held any other directorships in publicly listed companies. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

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|---|---|
| Name: | **Mr. Terence Wong** |
| Title: | Executive Director |
| Experience and expertise: | Mr. Wong has over 25 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 in publicly listed companies. |
| Interest in shares: | 20,030,701 ordinary shares |
| Interest in options: | 140,000 Options at an exercise price of $0.10/Option expiring 5/6/2020<br>1,000,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in convertible notes: | 70,000, convertible into shares at $0.20 each |

**Information on directors (Continued)**

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|---|---|
| Name: | **Mr. Kaihua Ge (appointed on 3 December 2018)** |
| Title: | Executive Director |
| Experience and expertise: | With over 30 years managerial experience in the petroleum and resources sector in Russia and the Central Asia region, with considerable project and country expertise in Kazakhstan. Mr. Ge is recognized as one of the pioneers in regard to the internationalization of China's petroleum industry.<br>Mr. Ge has worked in senior management with a number of Chinese State-Owned Enterprises in major projects in Kazakhstan, Turkmenistan, Uzbekistan and Russia. His previous roles included Business Manager, Bureau of Geophysical Prospecting INC, China Petroleum Material Corporation, General Manager, PetroChina International (Kazakhstan) Co. Ltd, and General Manager China Marine Bunker (PetroChina) Co, Ltd. Most recently Mr. Ge has successfully established energy trading between China and Central Asia. Mr. Ge holds a Degree in Project Management from the China University of Petroleum (Huaong) and a Post-Graduate in Social Management from Kazakhstan State University of Management. |
| Other directorships: | In the last three years, Mr. Ge has not held any other directorships in publicly listed companies. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

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| Name: | **Mr. Yuanzhi Jiang (appointed on 12 November 2019)** |
| Title: | Non-Executive Director |
| Experience and expertise: | Mr. Jiang has over 25 years of experience in the banking industry. Mr. Jiang has served China Construction Bank since 1993 and was appointed as assistant general manager of the International Business Department in Guangzhou, Chief Representative in New York Representative Office of China Construction Bank (New York Branch) and General Manager of Investment Banking Department.<br>Mr. Jiang holds a Bachelor's degree in Economics in Shandong University Economics school, and a MBA degree in Finance in Stern Business School of New York University. |
| Other directorships: | In the last three years, Mr. Jiang has not held any other directorships in publicly listed companies. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

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| Name: | **Mr. Hao Chen (appointed on 28 November 2019)** |
| Title: | Non-Executive Director |
| Experience and expertise: | Mr. Chen has over 15 years working experience in Central Asia, he has successively served as General Representative of CITIC International Co., Ltd.'s representative office in Turkmenistan, General Manager of Karazhanbasmunai Company branch, Executive Deputy General Manager of Caspi Bitum Company, First Vice-President of Argymak Trans Service Company, Vice-President of Karazhanbasmunai Company. Mr. Chen has built extensive experience in the field of mining resources and energy in Central Asia. Mr. Hao Chen graduated from Beijing Foreign Studies University with a bachelor degree, a master degree from the Yessenov University of Kazakhstan, and a Doctor degree in Business Administration from the Narxos University of Kazakhstan. |

**Information on directors (Continued)**

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| Other directorships: | In the last three years, Mr. Chen has not held any other directorships in publicly listed companies. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

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| Name: | **Mr. Andrew Chan (appointed on 1 March 2020)** |
| Title: | Company Secretary and Non-Executive Director |
| Experience and expertise: | Mr. Chan has a background as a corporate and commercial lawyer with over 15 years' experience. He has worked in both private practice and in-house in the resources sector in a variety of roles advising both listed and private companies. He is an experienced Company Secretary and has held directorships of ASX listed companies. He holds a Bachelor of Arts from the University of Sydney and a Bachelor of Laws degree from Bond University. |
| Other directorships: | (i) Non-Executive Director of GBM Gold Ltd (ASX-GBM) from July 2014 to November 2018<br>(ii) Non-Executive Director of Ephraim Resources Limited (ASX-EPA) from June 2017 to November 2017. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

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| Name: | **Mr. Senlin Liu (ceased from 10 December 2019)**<br>(appointed as Executive Director on 3 December 2018, Chief Executive Officer on 13 December 2018, Managing Director on 14 January 2019 and chairperson on 15 March 2019. Ceased as Managing Director on 5 July 2019, resigned as director from 10 December 2019) |
| Title: | Executive Director |
| Experience and expertise: | Mr. Liu has a strong successful business background dating back to the 1980's when he founded the Applied Chemistry Group in China. Through his strong corporate management capability, he has developed his company over the last 30 years into a successful comprehensive enterprise involved in such areas as chemical raw materials manufacturing, mineral product development and market development and operation.<br>Mr. Liu holds a master's degree in business administration. |
| Other directorships: | In the last three years, Mr. Liu has not held any other directorships in publicly listed companies. |
| Interest in shares: | 200,000,000 ordinary shares |
| Interest in options: | None |
| Interest in convertible notes: | None |

**Information on directors (Continued)**

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|---|---|
| Name: | **Mr. Jiafu Wei (ceased from 27 June 2018)** |
| Title: | Executive Director |
| 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.<br>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.<br>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 publicly listed companies. |
| Interest in shares: | 10,455,561 ordinary shares |
| Interest in options: | 2,000,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in Convertible notes: | None |

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|---|---|
| Name: | **Mr. Marco Marcou (ceased from 31 May 2019)** |
| 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) specializing 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).<br>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 in publicly listed companies. |
| Interest in shares: | 10,000 ordinary shares |
| Interest in options: | None |
| Interest in Convertible notes: | None |

**Information on directors (Continued)**

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|---|---|
| Name: | **Mr. Baolin Wang (ceased 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 was 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 publicly listed companies. |
| Interest in shares: | 8,353,514 ordinary shares |
| Interest in options: | 1,000,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in convertible notes: | None |

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| Name: | **Mr. Xiaokang Lyu (ceased on 14 January 2019)** |
| 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 in publicly listed companies. |
| Interest in shares: | 13,272,123 ordinary shares |
| Interest in options: | 3,000,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in convertible notes: | None |

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| Name: | **Ms. Jaylin Xiaorong Mao (ceased on 10 December 2019)**<br>(appointed as Non-Executive Director on 14 January 2019, appointed as Executive Director on 2 May 2019) |
| Title: | Non-Executive Director |
| Experience and expertise: | Ms. Mao is acting as the Managing Director of AJM Group Holdings Pty Ltd and Non-executive Director of Bojun Agriculture Holdings Limited (ASX code BAH). Previously, Ms. Mao was the Director of Asian Business of Westpac Premium Banking. She has led the Westpac Premium Asian strategy to help the Asian migrants to start a new life in Australia. She has received numerous awards from Westpac including Alfred Davidson Awards (the highest award in Westpac) and New to Bank Championship for her efforts and passion working on Asian Strategy. She has created ongoing client advocacy by delivering an outstanding customer experience. |

**Information on directors (Continued)**

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|---|---|
| | Over the past 12 years Ms. Mao has built extensive banking & finance experience in Australia across retail, private, corporate & investment banking. Prior to joining Westpac, she was the Business Development Manager in AIMS Financial Group, Senior Relationship Manager of Corporate Banking in Commonwealth Bank & Vice President of Credit Suisse Australia. She has helped Asian ultra-high net worth & high net worth clients with banking & financial needs. She has also facilitated multi million dollars transactions within corporate & investment banking. Ms. Mao holds a Bachelor of Arts from the Sichuan Normal University in China, Master of Commerce from the University of Sydney and Diploma of Applied Finance from Deakins University. She is an active member within the Asian community, actively involved in charitable organizations and community groups. |
| Other directorships: | (i) Non-Executive director of Tianmei Beverage Group Corporation Limited (ASX-TB8) from February 2018 to November 2018.<br>(ii) Non-Executive director of Bojun Agriculture Holdings Limited (ASX-BAH) from June 2018 to present. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

| | |
|---|---|
| Name: | **Ms. Jingjing Wang (ceased on 9 September 2019)**<br>(appointed as Non-Executive Director on 25 March 2019, appointed as Executive Director on 2 May 2019) |
| Title: | Non-Executive Director |
| Experience and expertise: | Ms. Wang who is currently a Director of JD Advisory Pty Ltd is a qualified Chartered Accountant, CPA and FTI (Fellow of The Tax Institute) with over 14 years of expertise in superannuation, company, trust, taxation, accounting issues and client management with RG146 compliance certification. Ms. Wang has extensive experience in delivering tax solutions with a commercial focus to large and small business and high net worth groups across a broad spectrum of industries including agriculture, medicine, retail, wholesale and real estate. Ms. Wang has provided Credit Reporting Standards (CRS) advice since 2016 with a unique knowledge and understanding of CRS implementation in China, Australia, Singapore and Hong Kong. |
| Other directorships: | In the last three years, Ms. Wang has not held any other directorships in publicly listed companies. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in Convertible notes: | None |

| | |
|---|---|
| Name: | **Mr. Edward Wen (ceased on 14 March 2019)** |
| 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.<br>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. |

**Information on directors (Continued)**

| | |
|---|---|
| | 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 in publicly listed companies. |
| Interest in shares: | 4,734,878 ordinary shares |
| Interest in options: | 240,000 Options at an exercise price of $0.10/Option expiring 05/06/2020<br>500,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in convertible notes: | 120,000, convertible into shares at $0.20 each |

| | |
|---|---|
| Name: | **Ms. Junmei Zhang (ceased 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.<br>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 publicly listed companies. |
| Interest in shares: | 1,251,651 ordinary shares |
| Interest in options: | 130,000 Options at an exercise price of $0.10/Option expiring 05/06/2020<br>500,000 Options at an exercise price of $0.20/Option expired on 2/6/2019 |
| Interest in convertible notes | 65,000, convertible into shares at $0.20 each |

| | |
|---|---|
| Name: | **Mr. Grant Thomas (ceased on 8 May 2019)**<br>(appointed as Executive Director 16 March 2018) |
| Title: | Executive Director |
| Experience and expertise: | 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.<br>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: | (i) Executive Director of Amani Gold Limited (ASX-ANL) from January 2018 to November 2018<br>(ii) Executive Director of ActivEX Limited (ASX-AIV) from July 2013 to February 2018 |
| Interest in shares: | 245,786 ordinary shares |
| Interest in options: | None |
| Interest in convertible notes: | None |

**Information on directors (Continued)**

| | |
|---|---|
| Name: | **Mr. Dong Xie (ceased on 8 November 2019)**<br>(appointed as Non-Executive Director on 18 July 2019) |
| Title: | Non-Executive Director |
| Experience and expertise: | Mr. Xie has over 30 years of experience in the banking and finance industry. Since 2009, Mr. Xie has served as the vice president of the Asia Pacific Stock Exchange. Mr. Xie was previously appointed as the Assistant to the President of China Construction Bank Co., Ltd (Hong Kong branch), General Manager of Investment Bank Department of China Cinda Asset Management Co. Ltd, and Deputy Manager of China Construction Bank International Finance Co. Ltd. Mr. Xie is a researcher for the Asia Pacific Financial Innovation Institute, Vice-President of the Australian Chinese Investment Association, a member of the Australian Chinese Finance Organisation and a member of the Australian Actuaries Association. Mr. Xie holds a Bachelor degree in automation engineering in South China University in Guangdong, a MBA in University of Western Sydney and DBA in University of South Australia. |
| Other directorships: | (i) Non-Executive director of Tianmei Beverage Group Corporation Limited (ASX-TB8) from December 2017 to August 2018. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

| | |
|---|---|
| Name: | **Mr. Yu Sun (ceased on 30 December 2019)**<br>(appointed as Executive Director on 5 July 2019) |
| Title: | Executive Director |
| Experience and expertise: | Mr. Sun has worked in financial services for major international financial institutions for 25 years. Mr. Sun is an expert in the area of international financial business and international economic diplomacy.<br>Mr. Sun has extensive experience in investment banking. Mr. Sun used to serve as Director of Australia United Investment Corporation, Managing Director of UBS Group Wealth Management, Executive Director of the World Bank Urban Development Foundation and Vice President of Asian Development Investment Bank. Mr. Sun holds a master's degree in finance and a doctorate in economics from the University of New South Wales. |
| Other directorships: | In the last three years, Mr. Sun has not held any other directorships in publicly listed companies. |
| Interest in shares: | None |
| Interest in options: | None |
| Interest in convertible notes: | None |

"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. Andrew Chan was appointed as Company secretary on 1 March 2020. 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 2018, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Mr. Senlin Liu | 2 | 2 |
| Madam Freada Cheung | 11 | 14 |
| Mr. Jiafu Wei | 4 | 6 |
| Mr. Terence Wong | 14 | 14 |
| Mr. Marco Marcou | 14 | 14 |
| Mr. Baolin Wang | 0 | 2 |
| Mr. Grant Thomas | 7 | 11 |
| Mr. Xiaokang Lyu | 2 | 14 |
| Mr. Edward Wen | 7 | 14 |
| Ms. Junmei Zhang | 1 | 2 |
| Mr. Kaihua Ge | 0 | 2 |

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.

**Remuneration report (audited) (Continued)**

***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 2018** | **Short-term benefits** | | | **Post-employment benefits** | **Long-term benefits** | **Share-based payments** | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | | | | | | | | |
| ***Directors*** | **Cash salary and fees $** | **Bonus $** | **Non-monetary[1] $** | **Super-annuation $** | **Long service leave $** | **Equity-settled $** | **Total $** | **Performance Related %** |
| ***Executive Directors*** | | | | | | | | |
| Mr. Senlin Liu[6] | 1,880 | - | - | - | | - | 1,880 | - |
| Madam Freada Cheung[4, 6] | 57,000 | - | 249,677 | - | - | 1,798,000 | 2,104,677 | 85% |
| Mr. Terence Wong | 261,377 | - | - | 3,305 | - | - | 264,682 | - |
| Mr. Marco Marcou[2, 4, 9] | 257,000 | - | - | - | - | 93,000 | 350,000 | 27% |
| Mr. Baolin Wang[7] | 12,581 | - | - | - | - | - | 12,581 | - |
| Mr. Grant Thomas | 159,000 | - | - | - | - | - | 159,000 | - |
| Mr. Xiaokang Lyu | 57,000 | - | - | - | - | - | 57,000 | - |
| Mr. Jiafu Wei[5] | 29,500 | - | - | - | - | - | 29,500 | - |
| Mr. Kaihua Ge | 1,880 | - | - | - | - | - | 1,880 | - |
| ***Non-Executive Directors*** | | | | | | | | |
| Mr. Edward Wen[5] | 57,000 | - | - | - | - | 15,500 | 72,500 | 21% |
| Ms. Junmei Zhang[3, 8] | 12,581 | - | - | - | - | - | 12,581 | - |
| | 906,799 | - | 249,677 | 3,305 | - | 1,906,500 | 3,066,281 | |

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 17 May 2018, 61,500,000 ordinary shares were issued to directors (or their nominees) in recognition of time and effort undertaken by them in the operation of KPC:
   - 58,000,000 shares were issued to Madam Freada Cheung.
   - 3,000,000 shares were issued to Mr. Marco Marcou.
   - 500,000 shares were issued to Mr. Edward Wen.

   There is no performance condition attached to the shares issued above.
5. Mr. Jiafu Wei ceased as Executive Director on 27 June 2018.
6. Madam Freada Cheung ceased as Chief Executive Officer on 13 December 2018 and Mr. Senlin Liu was appointed as Chief Executive Officer on 13 December 2018.
7. Mr. Baolin Wang ceased as Executive Director on 16 March 2018.
8. Ms. Junmei Zhang ceased as Non-Executive Director on 16 March 2018.
9. Mr. Marco Marcou acted as Company Secretary for 2018.

## Remuneration report (audited) (Continued)

### *B. Details of remuneration (Continued)*

| 12 month period ended 31 December 2017 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | | | | | | | | |
| ***Directors*** | **Cash salary and fees $** | **Bonus $** | **Non-monetary[1] $** | **Super-annuation $** | **Long service leave $** | **Equity-settled $** | **Total $** | **Performance Related %** |
| ***Executive Directors*** | | | | | | | | |
| Madam Freada Cheung[4, 5] | 45,000 | - | 230,920 | - | - | 1,326,846 | 1,602,766 | 83% |
| Mr. Terence Wong[4] | 292,705 | - | - | 3,012 | - | 117,751 | 413,468 | 28% |
| Mr. Marco Marcou[2, 4, 6] | 245,000 | - | - | - | - | 81,346 | 326,346 | 25% |
| Mr. Baolin Wang[4] | 58,372 | - | - | - | - | 104,569 | 162,941 | 64% |
| Mr. Xiaokang Lyu[4] | 45,000 | - | - | - | - | 57,846 | 102,846 | 56% |
| Mr. Jiafu Wei[4] | 45,000 | - | - | - | - | 104,846 | 149,846 | 70% |
| ***Non-Executive Directors*** | | | | | | | | |
| Mr. Edward Wen[4] | 45,000 | - | - | - | - | 34,346 | 79,346 | 43% |
| Ms. Junmei Zhang[3, 4] | 60,000 | - | - | - | - | 23,500 | 83,500 | 28% |
| | 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, 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. Jiafu Wei.
   - 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. Baolin Wang.
   - 1,000,000 shares were issued to Mr. Xiaokang Lyu.
   - 500,000 shares were issued to Mr. Edward Wen.
   - 500,000 shares were issued to Ms. Junmei Zhang.
5. Madam Freada Cheung acted as Chairwoman and Managing Director for 2017.
6. Mr. Marco Marcou acted as Company Secretary for 2017.

**Remuneration report (audited) (Continued)**

***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** | | | |
| Mr. Senlin Liu | No fixed term | | Director's fee of 24,000 per annum |
| Madam Freada Cheung | No fixed term | | Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| Mr. Terence Wong | No fixed term | 2 Months | Remuneration of $250,000 per annum and Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| Mr. Marco Marcou | No fixed term | 4 Months | Remuneration of $200,000 and Director's fee of Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| Mr. Grant Thomas | No fixed term | | Remuneration of $120,000 per year |
| Mr. Kaihua Ge | No fixed term | | Director's fee of $24,000 per annum |
| Mr. Xiaokang Lyu | No fixed term | | Remuneration of $200,000 and Director's fee of Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| Mr. Jiafu Wei | No fixed term | | Remuneration of $200,000 and Director's fee of Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| Mr. Baolin Wang | No fixed term | | Remuneration of $200,000 and Director's fee of Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| **Non-Executive Directors** | | | |
| Mr. Edward Wen | No fixed term | | Remuneration of $200,000 and Director's fee of Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |
| Ms. Junmei Zhang | No fixed term | | Remuneration of $200,000 and Director's fee of Director's fee of $5,000 per month from January to November, Director's fee of $2,000 per month for December |

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

**Remuneration report (audited) (Continued)**

***D. Share-based compensation***

*Issue of shares*

After review of the performance of the executives, the Board proposed to shareholders that 61,500,000 shares be allocated to certain Executive Directors in recognition of the time and effort undertaken by them in the operations of KPC over the last 12 months. PKF Melbourne Corporate was engaged to provide an expert report on the matter for the shareholder meeting which approved the allocation of the shares as recommended by the Board on 17 May 2018. The shares were issued on 12 June 2018:

| **Director** | **No. of shares** | **Value per shares as at grant date** | **Total $** |
|---|---|---|---|
| Madam Freada Cheung | 58,000,000 | 0.031 | 1,798,000 |
| Mr. Marco Marcou | 3,000,000 | 0.031 | 93,000 |
| Mr. Edward Wen | 500,000 | 0.031 | 15,500 |
| | 61,500,000 | | 1,906,500 |

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 years ended 31 December 2018 or 31 December 2017.

*Options*

No options were vested, granted or issued to directors and other key management personnel as part of compensation during the years ended 31 December 2018 and 31 December 2017.

***E. Additional information***

The losses of the Consolidated Entity over the last five years are summarized below:

| | Year ended 31 Dec 2014 (restated) $ | Year ended 31 Dec 2015 $ | Year ended 31 Dec 2016 $ | Year ended 31 Dec 2017 (restated) $ | **Year ended 31 Dec 2018 $** |
|---|---|---|---|---|---|
| Loss after income tax | (55,972,657) | (24,978,197) | (21,870,079) | (16,072,832) | **(49,869,408)** |

The factors that are considered to affect total shareholders return ("TSR") are summarized below:

| | Year ended 31 Dec 2014 (restated) $ | Year ended 31 Dec 2015 $ | Year ended 31 Dec 2016 $ | Year ended 31 Dec 2017 (restated) $ | **Year ended 31 Dec 2018 $** |
|---|---|---|---|---|---|
| Share price at financial year/ period end ($A)* | 0.25 | 0.155 | 0.070 | 0.021 | **0.020** |
| Total dividends declared (cents per share) | - | - | - | - | **-** |
| Basic loss per share (cents per share) | (18.92) | (5.59) | (3.61) | (2.12) | **(4.21)** |

**Remuneration report (audited) (Continued)**

***E. Additional information (Continued)***

***Additional disclosures relating to key management personnel (Continued)***

*Loans given to key management personnel*

| Name | Balance at the start of the year $ | Interest paid and payable for the year $ | Interest not charged $ | Balance at the end of the year $ | Highest indebtedness during the year $ |
|---|---|---|---|---|---|
| Marco Marcou | 50,000 | 4,907 | - | 54,907 | 54,907 |
| Madam Freada Cheung | - | 6,077 | - | - | 276,156 |

Loan to Marco Marcou represents the Loan to MAP ET-China Holding Pty Limited at a 9% interest rate for a period of two years from 29 November 2017 to 28 November 2019. The loan was repaid in full on 28 November 2019.

Loan to Madam Freada Cheung represents the Loan to China Asia Resources Fund at 9% interest rate for a period of fewer than two months from 21 March 2018 to 26 April 2018. The interest rate of Loan to Madam Freada Cheung is charged at 9% per annum. The purpose of the loan is to provide solvency to China Asia Resources Fund. This loan is not a repayment of the Loan from China Asia Resources Fund.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

**Remuneration report (audited) (Continued)**

***E. Additional information (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:

| *Ordinary shares* | **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]** |
|---|---|---|---|---|---|
| Mr. Senlin Liu | 200,000,000 | - | - | - | 200,000,000 |
| Madam Freada Cheung[4] | 100,667,446 | 1,428,571 | 58,000,000 | - | 160,096,017 |
| Mr. Jiafu Wei [4] | 9,026,990 | 1,428,571 | - | - | 10,455,561 |
| Mr. Terence Wong[4] | 10,837,272 | 9,193,429 | - | - | 20,030,701 |
| Mr. Marco Marcou[4] | 10,000 | 1,428,573 | 3,000,000 | (4,428,573) | 10,000 |
| Mr. Baolin Wang [4] | 6,731,681 | 1,621,833 | - | - | 8,353,514 |
| Mr. Grant Thomas[4] | - | 245,786 | - | - | 245,786 |
| Mr. Xiaokang Lyu [4] | 11,843,552 | 1,428,571 | - | - | 13,272,123 |
| Mr. Edward Wen[4] | 2,806,307 | 1,428,571 | 500,000 | - | 4,734,878 |
| Ms. Junmei Zhang | 1,251,651 | - | - | - | 1,251,651 |
| | 343,174,899 | 18,203,905 | 61,500,000 | (4,428,573) | 418,450,231 |

1. Or date of appointment.
2. Or date of resignation.
3. On 12 June 2018, 61,500,000 shares were issued at a nominal issue price of $0.031 to Directors as reward and incentive, as approved at general meeting of 17 May 2018.
4. As approved by the shareholders during the Company's AGM held on 17 May 2018, the following directors' remuneration payable at 31 March 2017 was settled by shares in lieu of cash.
   - $60,000 was settled by issuing 1,428,571 shares to Madam Freada Cheung.
   - $60,000 was settled by issuing 1,428,571 shares to Mr. Jiafu Wei.
   - $386,124 was settled by issuing 9,193,429 shares to Mr. Terence Wong.
   - $60,000 was settled by issuing 1,428,571 shares to Mr. Marco Marcou.
   - $68,117 was settled by issuing 1,621,833 shares to Mr. Baolin Wang.
   - $$60,000 was settled by issuing 1,428,571 shares to Mr. Xiaokang Lyu.
   - $$60,000 was settled by issuing 1,428,571 shares to Mr. Edward Wen.
   - $10,323 was settled by issuing 245,756 shares to Mr. Grant Thomas.

**Remuneration report (audited) (Continued)**

***E. Additional information (Continued)***

***Additional disclosures relating to key management personnel (Continued)***

*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:

| *Convertible notes* | **Balance at the start of the year[1]** | **Received as part of remuneration** | **Additions** | **Disposals/ Other** | **Balance at the end of the year[2]** |
|---|---|---|---|---|---|
| Mr. Senlin Liu | - | - | - | - | - |
| Madam Freada Cheung | 23,525,000 | - | - | - | 23,525,000 |
| Mr. Jiafu Wei | - | - | - | - | - |
| Mr. Terence Wong | 70,000 | - | - | - | 70,000 |
| Mr. Marco Marcou | - | - | - | - | - |
| Mr. Baolin Wang | - | - | - | - | - |
| Mr. Grant Thomas | - | - | - | - | - |
| Mr. Xiaokang Lyu | - | - | - | - | - |
| Mr. Edward Wen | 120,000 | - | - | - | 120,000 |
| Ms. Junmei Zhang | 65,000 | - | - | - | 65,000 |
| Mr. Kaihua Ge | - | - | - | - | - |
| | 23,780,000 | - | - | - | 23,780,000 |

1. Or date of appointment.
2. Or date of resignation.

**Remuneration report (audited) (Continued)**

***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:

| *Options* | Balance at the start of the year[1] | Received as part of remuneration | Additions | Expired/ Forfeited/ others | Balance at the end of the year[2] |
|---|---|---|---|---|---|
| Mr. Senlin Liu | - | - | - | - | - |
| Madam Freada Cheung | 105,050,000 | - | - | (16,000,000) | 89,050,000 |
| Mr. Jiafu Wei | 2,000,000 | - | - | - | 2,000,000 |
| Mr. Terence Wong | 3,140,000 | - | - | (2,000,000) | 1,140,000 |
| Mr. Marco Marcou | 2,000,000 | - | - | (2,000,000) | - |
| Mr. Baolin Wang | 3,000,000 | - | - | (2,000,000) | 1,000,000 |
| Mr. Grant Thomas | - | - | - | - | - |
| Mr. Xiaokang Lyu | 13,000,000 | - | - | (10,000,000) | 3,000,000 |
| Mr. Edward Wen | 1,740,000 | - | - | (1,000,000) | 740,000 |
| Ms. Junmei Zhang | 1,630,000 | - | - | (1,000,000) | 630,000 |
| Mr. Kaihua Ge | - | - | - | - | - |
| | 131,560,000 | - | - | (34,000,000) | 97,560,000 |

1. Or date of appointment.
2. Or date of resignation.

**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 |
|---|---|---|---|
| 20 April 2017 | 19 April 2020 | $0.055 | 92,424,400 |
| 5 June 2017 | 5 June 2020 | $0.100 | 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 2018 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.

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.

**Rounding of amounts**
The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Non-audit services**
There were no non-audit services provided by the auditor during the 2018 or 2017 financial years.
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 28.

**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

Madam Freada Cheung
Chairperson and Managing Director

30 March 2020

## Corporate Governance Statement

For the year ended 31 December 2018

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 and the Appendix 4G lodged with this Annual Report. This URL on the website is located at:

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

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Australia



**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 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 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 period.

Wai Aw
Partner

**BDO East Coast Partnership**

Melbourne, 30 March 2020

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**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 is Level 27, 101 Collins Street, Melbourne 3000 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 30 March 2020. 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 2018

| | *Note* | **2018** *$* | 2017 (Restated) *$* |
|---|---|---|---|
| **Revenue from continuing operations** | *5* | **268,752** | 1,130,174 |
| **Share of results of joint venture** | *12* | **(2,649,478)** | (17,121) |
| **Expenses** | | | |
| Employee expenses | | **(3,601,433)** | (4,312,894) |
| Depreciation and amortization expenses | *6* | **(93,716)** | (98,831) |
| Exploration costs | | **(342,000)** | (154) |
| Consulting fees | *6* | **(183,164)** | (267,499) |
| Legal and other professional fees | | **(626,126)** | (506,890) |
| Occupancy expenses | *6* | **(784,234)** | (708,045) |
| Finance costs | *6* | **(5,016,770)** | (7,570,229) |
| Other expenses | | **(255,280)** | (345,561) |
| Impairment of assets | *6* | **(35,678,329)** | (3,662,742) |
| Foreign exchange gain/(loss) | | **(907,630)** | 286,960 |
| **Loss before income tax from continuing operations** | | **(49,869,408)** | (16,072,832) |
| Income tax | *7* | **-** | - |
| **Loss after income tax for the year** | | **(49,869,408)** | (16,072,832) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | **256,057** | (1,348,899) |
| Share of other comprehensive income of joint venture | *12* | **134,468** | (43,261) |
| **Total comprehensive income for the year** | | **(49,478,883)** | (17,464,992) |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

| | *Note* | **2018** | 2017 (Restated) |
|---|---|---|---|
| | | ***$*** | *$* |
| **Loss for the year is attributable to:** | | | |
| Owners of the Company | | **(49,284,013)** | (16,038,848) |
| Non-controlling interest | | **(585,395)** | (33,984) |
| | | **(49,869,408)** | (16,072,832) |
| **Total comprehensive income for the year is attributable to:** | | | |
| Owners of the Company | | **(48,984,338)** | (17,511,151) |
| Non-controlling interest | | **(494,545)** | 46,159 |
| | | **(49,478,883)** | (17,464,992) |
| **Loss per share from continuing operations attributable to the owners of Kazakhstan Potash Corporation Limited** | | **Cents** | Cents |
| Basic loss per share | *35* | **(4.21)** | (2.12) |
| Diluted loss per share | *35* | **(4.21)** | (2.12) |

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 2018

| | *Note* | **2018** | 2017 (Restated) | 2017 (Reported) |
|---|---|---|---|---|
| | | ***$*** | *$* | *$* |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | *8* | **158,482** | 647,910 | 647,910 |
| Other assets | *9* | **565,845** | 386,365 | 386,365 |
| **Total current assets** | | **724,327** | 1,034,275 | 1,034,275 |
| **Non-current assets** | | | | |
| Financial assets | *10* | **282,985** | 324,599 | 324,599 |
| Intangible assets | *11* | **278** | 1,807 | 1,807 |
| Investment in joint venture | *12* | **1,190,360** | 3,358,298 | 3,358,298 |
| Plant and equipment | *13* | **4,276,673** | 350,065 | 350,065 |
| Exploration and evaluation assets | *14* | **81,445,240** | 99,760,724 | 99,760,724 |
| **Total non-current assets** | | **87,195,536** | 103,795,493 | 103,795,493 |
| **Total assets** | | **87,919,863** | 104,829,768 | 104,829,768 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accrued expenses and other payables | *15* | **4,350,649** | 1,565,805 | 1,565,805 |
| Financial liabilities | *16* | **41,698,171** | 766,037 | 766,037 |
| **Total current liabilities** | | **46,048,820** | 2,331,842 | 2,331,842 |
| **Net current liabilities** | | | | |
| Financial liabilities | *17* | **-** | 19,627,251 | 19,627,251 |
| Deferred tax liabilities | *18* | **8,398,869** | 17,208,393 | 17,208,393 |
| Provisions | *19* | **6,928,750** | 140,160 | 140,160 |
| **Total non-current liabilities** | | **15,327,619** | 36,975,804 | 36,975,804 |
| **Total liabilities** | | **61,376,439** | 39,307,646 | 39,307,646 |
| **NET ASSETS** | | **26,543,424** | 65,522,122 | 65,522,122 |
| **Equity** | | | | |
| Issued capital | *20* | **218,718,231** | 208,385,358 | 208,385,358 |
| Reserves | *21* | **2,449,427** | 4,498,252 | (3,486,636) |
| Accumulated losses | *22* | **(194,734,451)** | (146,240,938) | (138,256,050) |
| Equity attributable to the owners of Kazakhstan Potash Corporation Limited | | **26,433,207** | 66,642,672 | 66,642,672 |
| Non-controlling interests | | **110,217** | (1,120,550) | (1,120,550) |
| **Total equity** | | **26,543,424** | 65,522,122 | 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 year ended 31 December 2018

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|---|
| **Balance 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 (restated) | - | - | (16,038,848) | (33,984) | (16,072,832) |
| Other comprehensive income for the year, net of tax | - | (1,472,303) | - | 80,143 | (1,392,160) |
| Total comprehensive income for the year (restated) | - | (1,472,303) | (16,038,848) | 46,159 | (17,464,992) |
| ***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 21) | - | 341,250 | - | - | 341,250 |
| Issue of options to lenders | - | 2,403,034 | - | - | 2,403,034 |
| Options issued to convertible notes holders (restated) | - | 9,084,797 | - | - | 9,084,797 |
| Shares placement (Note 20) | 2,786,000 | - | - | - | 2,786,000 |
| Shares issued as loan settlement (Note 20) | 7,965,106 | - | - | - | 7,965,106 |
| Capital raising cost | (62,054) | - | - | - | (62,054) |
| ***Other Transactions:*** | | | | | |
| Shares issued in lieu of payment for services (Note 20) | 204,600 | - | - | - | 204,600 |
| Shares issued in lieu of cash remuneration for directors (Note 20) | 1,226,150 | - | - | - | 1,226,150 |
| Shares issued in lieu of cash remuneration for senior employees (Note 20) | 209,280 | - | - | - | 209,280 |
| Shares issued to directors as reward and incentives (Note 20) | 1,692,000 | - | - | - | 1,692,000 |
| Non-controlling interests foreign currency translation reserve portion | - | (524,411) | - | 524,411 | - |
| **Balance as at 31 December 2017, as restated** | 208,385,358 | 4,498,252 | (146,240,938) | (1,120,550) | 65,522,122 |

# Kazakhstan Potash Corporation Limited

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 208,385,358 | 4,498,252 | (146,240,938) | (1,120,550) | 65,522,122 |
| Loss after income tax for the year | - | - | (49,284,013) | (585,395) | (49,869,408) |
| Other comprehensive income for the year, net of tax | - | 299,675 | - | 90,850 | 390,525 |
| Total comprehensive income for the year | - | 299,675 | (49,284,013) | (494,545) | (49,478,883) |
| ***Transactions with owners in their capacity as owners:*** | | | | | |
| Transfer on expiry of share options (Note 21) | - | (790,500) | 790,500 | - | - |
| Shares placement (Note 20) | 4,490,360 | - | - | - | 4,490,360 |
| Shares issued as loan settlement (Note 20, 36) | 1,049,880 | - | - | - | 1,049,880 |
| Shares issued as consideration for acquisition of MCC Resources SARLU (Note 20, 36) | 1,900,000 | - | - | - | 1,900,000 |
| Return of the share capital for acquisition of MCC Resources SARLU (Note 21) | - | (1,558,000) | - | - | (1,558,000) |
| Capital raising cost (Note 20) | (45,057) | - | - | - | (45,057) |
| ***Other transactions:*** | | | | | |
| Shares issued in lieu of payment for services (Note 20,36) | 95,000 | - | - | - | 95,000 |
| Shares issued in lieu of cash remuneration for directors (Note 20, 36) | 764,564 | - | - | - | 764,564 |
| Shares issued in lieu of cash remuneration for senior employees (Note 20, 36) | 132,743 | - | - | - | 132,743 |
| Shares issued in lieu of cash remuneration for services | 7,883 | - | - | - | 7,883 |
| Shares issued to senior employees as rewards and incentives (Note 20, 36) | 31,000 | - | - | - | 31,000 |
| Shares issued to directors as reward and incentives (Note 20, 36) | 1,906,500 | - | - | - | 1,906,500 |
| Non-controlling interests arising from acquisition of Satimola Group | - | - | - | 1,725,312 | 1,725,312 |
| **Balance as at 31 December 2018** | **218,718,231** | **2,449,427** | **(194,734,451)** | **110,217** | **26,543,424** |

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 2018

| | *Note* | **2018** | 2017 Restated |
|---|---|---|---|
| | | ***$*** | *$* |
| **Cash flows from operating activities** | | | |
| Interest and other receipts | | **248,826** | 12,797 |
| Payments to suppliers and employees | | **(1,820,286)** | (2,697,788) |
| **Net cash used in operating activities** | *34* | **(1,571,460)** | (2,684,991) |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | **-** | (639) |
| Payment for E&E Asset | | **(89,298)** | (224,749) |
| Payment for Satimola acquisition | | **(2,784,518)** | - |
| Loans repayment from other parties | | **276,040** | 935,834 |
| Loans advanced to other parties | | **(757,048)** | (4,623,762) |
| **Net cash used in investing activities** | | **(3,354,824)** | (3,913,316) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares, net of transaction costs | | **4,490,360** | 2,786,000 |
| Share issue transaction cost | | **(45,057)** | (62,053) |
| Proceeds from borrowings | | **1,861,021** | 11,512,808 |
| Repayment of borrowings | | **(1,907,261)** | (11,430,049) |
| **Net cash provided by financing activities** | | **4,399,063** | 2,806,706 |
| **Net decrease in cash and cash equivalents** | | **(527,221)** | (3,791,601) |
| Cash and cash equivalents at the beginning of the financial year | | **647,910** | 4,821,901 |
| Effects of exchange rate changes on cash | | **37,793** | (382,390) |
| **Cash and cash equivalents at the end of the financial year** | *8* | **158,482** | 647,910 |

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

## 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 9 Financial Instruments***
The Consolidated Entity has adopted AASB 9 from 1 January 2018. The standard introduced 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 that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are 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 or contingent consideration recognised in a business combination) in other comprehensive income ("OCI"). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, 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 use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

*Impact of adoption*
In accordance with the transitional provisions in AASB 9, comparative information has not been restated and the Consolidated Entity has applied AASB 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application):

*Classification and measurement of financial assets and financial liabilities*
The adoption of AASB 9 has no significant effect on the classification and measurement of the Group's financial liabilities. At 31 December 2017, all financial assets were classified as loans and receivables. Since these financial assets were held within a business model whose objective is to be held to collect contractual cash flows solely on principal and interests, these financial assets are classified under amortised cost from 1 January 2018. Financial liabilities including the liability portion of convertible notes are not impacted by the adoption of AASB 9 and continued to be measured at amortised cost.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**New, revised or amending Accounting Standards and Interpretations adopted (Continued)**

***AASB 15 Revenue from Contracts with Customers***
The Consolidated Entity has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

*Impact of adoption*
The adoption of AASB 15 did not have any significant impact on the financial performance or position of the Consolidated Entity.

**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 30.

**Going Concern**
For the year ended 31 December 2018, the Consolidated Entity incurred a loss after income tax of $49,869,408 from continuing operations and had net cash outflows from operating activities of $1,571,460. At 31 December 2018, the Consolidated Entity had cash and cash equivalents of $158,482 and a net current liability position of $44,013,715. Management has prepared cash flow projections for a period of 15 months from the date of approval of the financial report inclusive of funding initiatives that demonstrate the Consolidated Entity, having reached agreement in respect on convertible note funding and subject to success in respect of other cash raising initiatives, will have sufficient cash to meet its obligations over this period.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Going Concern (Continued)**
The long term ability of the Consolidated Entity to continue as a going concern is dependent upon the successful implementation of exploration programs and feasibility studies and potential mine development activities on the potash projects in Kazakhstan. In order to achieve its ambitions for its projects the Consolidated Entity will be required 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 statement of financial position at 31 December 2018 includes current financial liabilities of $41,698,171. The majority of this balance relates to the following:
    - $30 million convertible note facility that matured on 25 November 2019. Agreement has been reached with the holder of the convertible notes to roll over the existing convertible note facility and subscribe for, or procure that its nominee subscribes for, 30 million $1 convertible notes that mature 4 years from the issue date. The issue of the replacement convertible notes is subject to shareholder approval;
    - KPC and City Winner Holdings (CWH an entity related to Madam Freada Cheung) have entered into final negotiations in relation to the assignment of the CWH debt in Satimola of US$5 million to KPC, and for KPC to convert the assigned debt to the terms of a proposed issue of secured convertible notes (Convertible Notes) to CWH. All parties are confident that an agreement will be reached. Any agreement on this matter is subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting which will be called in due course; and
    - USD 5.029 million owing to Asia Pacific Resources Development Investment Limited (APRDIL) by Satimola Limited via a loan note certificate. An understanding has been reached through discussions between KPC and the principal of APRDIL where the outstanding balance will be repaid either at the commencement of production at the Satimola project or at the engagement of a development partner for the project, whichever occurs sooner. There is a risk that APRDIL may request payment prior to production commencement or development partner engagement, and in this circumstance, if it arises, KPC will look to arrange for payment of the balance of the Loan Note Certificate. The APRDIL representative on the Satimola Limited's board continues in the role with the KPC appointed directors and the APRDIL principal is a major shareholder of KPC since 2011.
- To provide for immediate cash requirement, the Consolidated Entity has received an on-going financial support letter dated 1 February 2020 from Managing Director and the Chairperson of the Consolidated Entity Madam Freada Cheung. The financial support is for a period of at least 18 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 the next 15 months from the date of this report to enable the Consolidated Entity to continue the exploration and development process. The specific funding initiatives that are already in place include:
    - A Convertible Note with CWSI Group Limited to the value of $6.5 million which has been drawn down against for working capital purposes and completion of the Satimola transaction;
    - A Convertible Note with Harvest Leader International Limited to the value of $3.5 million;

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Going Concern (Continued)**

- Proceeds from the sale of its joint venture interests in Chongqing Bright Road Industrial Co Ltd of $1.5 million;
- Off-market transfer of the Société MCC Resource SARL KPC's shares that has been agreed on KPC terms and is being arranged at $0.02/KPC share with proceeds to KPC;
- Off-market transfer of the Zhang Daling's KPC shares is under negotiation with a view to arrange a $0.02/share with proceeds to KPC; and
- Following the Annual General Meeting scheduled for 30 April 2020, the placement mandate of the Company will be refreshed allowing the Company to place 400 million Equity Securities which will be applied as required during the period to meet the obligations of the Company. Discussions, with a number of financiers and potential development partners who have been identified as sources of either placement or convertible note funding have been on-going since the beginning of the year and have been very positive to date.

- The Company is budgeting to retire all short-term debt.

*COVID-19 Impact*
The uncertainty around COVID-19 globally and the subsequent actions taken by governments around the world to mitigate its spread may impact the planned development activities for the Kazakhstan Projects. Management is continuously monitoring the evolving situation and are taking actions to minimise the impact of COVID-19 on the business, but it is not possible to reliably estimate the extent of any potential effect at present.

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 2018 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.

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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Principles of consolidation (Continued)**
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**
***Applicable from 1 January 2018***
Revenue from contracts with customers within AASB 15
*Identification of performance obligations*
At contract inception, the Consolidated Entity assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:
(a) a good or service (or a bundle of goods or services) that is distinct; or
(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:
(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue recognition (Continued)**
***Applicable from 1 January 2018 (Continued)***
Revenue from contracts with customers within AASB 15 (Continued)
*Identification of performance obligations (Continued)*
(b) the Consolidated Entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

*Timing of revenue recognition*
Revenue is recognised when (or as) the Consolidated Entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Consolidated Entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:
(a) the customer simultaneously receives and consumes the benefits provided by the Consolidated Entity's performance as the Consolidated Entity performs;
(b) the Consolidated Entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
(c) the Consolidated Entity's performance does not create an asset with an alternative use to the Consolidated Entity and the Consolidated Entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Consolidated Entity satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Consolidated Entity considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

*Service income is recognised over time when services are rendered.*
For revenue recognised over time under AASB 15, provided the outcome of the performance obligation can be reasonably measured, the Consolidated Entity applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Consolidated Entity's performance and reliable information is available to the Consolidated Entity to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

*Transaction price: significant financing components*
When the contract contains a significant financing component (i.e. the customer or the Consolidated Entity is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Consolidated Entity adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Consolidated Entity determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Consolidated Entity and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Consolidated Entity's borrowing rates and other relevant creditworthiness information of the customer of the Consolidated Entity.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue recognition (Continued)**
***Applicable from 1 January 2018 (Continued)***
Revenue from contracts with customers within AASB 15 (Continued)
*Variable consideration*
If the consideration promised in a contract includes a variable amount, the Consolidated Entity estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost or Mandatory FVOCI that are not credited-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

**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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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

**Financial assets**
*Recognition and derecognition*
Financial assets are recognised when and only when the Consolidated Entity becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Consolidated Entity's contractual rights to future cash flows from the financial asset expire or (ii) the Consolidated Entity transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

*Classification and measurement*
*Financial assets – applicable from 1 January 2018*
Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Consolidated Entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Entity changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

*Financial assets measured at amortised cost*
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Consolidated Entity's financial assets at amortised cost include cash and bank balances, deposits, prepayments and other receivables.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets (Continued)**
*Financial assets measured at amortised cost (Continued)*
Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

The Consolidated Entity classified its financial assets into *loans and receivables* of the following categories before 1 January 2018. Loans and receivables including cash and bank balances, deposits, prepayments and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

***Impairment of financial assets***
Applicable from 1 January 2018
The Consolidated Entity recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with AASB 9. At each reporting date, the Consolidated Entity measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

For trade and other receivables the Consolidated Entity applies a simplified approach in calculating ECL. The Consolidated Entity recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis of shared credit risk characteristics:
(i) past due information
(ii) nature of instrument
(iii) nature of collateral
(iv) industry of debtors
(v) geographical location of debtors
(vi) external credit risk ratings

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets (Continued)**
***Impairment of financial assets (Continued)***
Applicable from 1 January 2018 (Continued)
*Assessment of significant increase in credit risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Consolidated Entity compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Consolidated Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Consolidated Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for the receivables due from government authorities for which the Consolidated Entity has reasonable and supportable information to demonstrate that previous non-payments were an administrative oversight, instead of resulting from financial difficulty of the borrower, or that there is no correlation between significant increases in the risk of a default occurring and financial assets on which payments are more than 30 days past due, but that evidence does identify such a correlation when payments are more than 60 days past due.

Notwithstanding the foregoing, the Consolidated Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

*Definition of default*
The Consolidated Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Consolidated Entity may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.
(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Consolidated Entity, in full (without taking into account any collaterals held by the Consolidated Entity); or
(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Consolidated Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Consolidated Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Low credit risk*
A financial instrument is determined to have low credit risk if:
(i) it has a low risk of default;
(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

*Credit-impaired financial asset*
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower.
(b) a breach of contract, such as a default or past due event.
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets (Continued)**
***Impairment of financial assets (Continued)***
Applicable from 1 January 2018 (Continued)
*Credit-impaired financial asset (Continued)*
(e) the disappearance of an active market for that financial asset because of financial difficulties.
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

*Write-off*
The Consolidated Entity writes off a financial asset when the Consolidated Entity has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Consolidated Entity expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Consolidated Entity's procedures for recovery of amounts due. Any recovery made is recognised in profit or loss.

*Measurement of ECL*
ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. Credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Applicable before 1 January 2018
At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that financial assets, other than those at FVPL, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Financial liabilities**
*Recognition and derecognition*
Financial liabilities are recognised when and only when the Consolidated Entity becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

*Classification and measurement*
Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Consolidated Entity's financial liabilities include accrued expenses and other payables, and liability portion of convertible notes. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 the 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 it 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 determines 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 the share of results of the joint venture, in the consolidated statement of profit or loss.

**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 - 10 years |
| Machinery | 4 - 10 years |
| Buildings and structures | 10 - 30 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

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

**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.

**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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Employee benefits**

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities, otherwise they are classified as non-current, 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.

*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. 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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.

**Loss per share**
*Basic loss per share*
Basic loss 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Loss per share (Continued)**
*Diluted loss per share*
Diluted loss per share adjusts the figures used in the determination of basic loss 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.

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

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

*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.

In January 2019, all leases were cancelled. As the consolidated entity has no leases as defined under *AASB 16*, the adoption of *AASB 16* will have no impact to the financial statements.

## 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.

*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 utilise these losses in future periods to offset taxable profits. See Note 7.

*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 amortized 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.

## 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

*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.

*Provision for rehabilitation or retirement of asset*
According to the environmental laws and subsoil use contract, the Consolidated Entity has a legal liability mitigate the consequences of the deposit development. The liability is recognised at the net present value of expected future costs. The liability recognised represents the management's best estimate of the costs to be incurred in future; however, a judgment is required as many of those estimated costs will not be accurate up to the end of the deposit development. The calculations are reviewed annually and are based on current regulatory requirements as well as on estimated life of the deposit. Significant changes in estimates of pollution degree, restoration standards and methods may result in changes in liabilities over time.

*Classification of joint arrangements*
The joint venture agreements in relation to Chongqing Bright Road Industrial Co., Ltd require unanimous consent from all parties for all relevant activities. This entity is therefore classified as a joint venture even though it holds 51% of the voting rights and the Consolidated Entity recognise its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with AASB 128 Investments in Associates and Joint Ventures as described in Note 1.

## 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.

The Chief Operating Decision Maker ('CODM') reviews operating performance of the consolidated entity based on management reports that are prepared. At regular intervals, the CODM is provided management information at a consolidated entity level for the consolidated entity’s cash position, and reviews geological results and other qualitative measures as a basis for decision making. On this basis, no segment information is included in these financial statements.

## 4. 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 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. The 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 reduction of $7,984,888 to the result reported in the 2017 financial report. The Consolidated Entity has restated the comparative figures in this financial report using the amended value. Pursuant to the restatement the net gain or profit impact on the replacement of the convertible notes is $647,788 (Note 5) as opposed to the $8,632,676 previously reported.

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

| | 2017 Reported $ | Adjustment $ | 2017 Restated $ |
|---|---|---|---|
| **Other income** | 9,115,062 | (7,984,888) | 1,130,174 |
| **Loss after income tax expense for the year** | (8,087,944) | (7,984,888) | (16,072,832) |
| **Total comprehensive income for the year** | (9,480,104) | (7,984,888) | (17,464,992) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | (8,053,960) | (7,984,888) | (16,038,848) |
| Non-controlling interest | (33,984) | - | (33,984) |
| | (8,087,944) | (7,984,888) | (16,072,832) |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | (9,526,263) | (7,984,888) | (17,511,151) |
| Non-controlling interest | 46,159 | - | 46,159 |
| | (9,480,104) | (7,984,888) | (17,464,992) |

## 4. RESTATEMENT OF COMPARATIVES (CONTINUED)

**Correction of previously reported results following the issue of replacement convertible notes (Continued)**

| **Impact on loss per share:** | **2017 Reported cents** | **Adjustment cents** | **2017 Restated cents** |
|---|---|---|---|
| Loss per share from continuing operations attributable to the owners of Kazakhstan Potash Corporation Limited | | | |
| Basic | (1.07) | (1.05) | (2.12) |
| Diluted | (1.07) | (1.05) | (2.12) |

| **Impact on consolidated statement of financial position at 31 December 2017** | **2017 Reported $** | **Adjustment $** | **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 the Consolidated Entity** | 66,642,672 | - | 66,642,672 |

## 5. REVENUE

| | **Consolidated** | |
|---|---|---|
| | **2018 $** | 2017 (Restated) $ |
| Interest income | **28,060** | 12,797 |
| Gains from issue of shares | **5,000** | 469,589 |
| Service income | **235,692** | - |
| Other income (i) | **-** | 647,788 |
| Total revenue | **268,752** | 1,130,174 |

(i) Included other income of $647,788 (as restated) which refers to the gain 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 on 25 November 2019 and offset this gain over time.

## 6. EXPENSES

| | Consolidated | |
|---|---|---|
| **Loss before income tax from continuing operations includes the following specific expenses:** | **2018** | 2017 (Restated) |
| | **$** | $ |
| ***Depreciation and amortisation*** | | |
| Buildings and structures | **303** | - |
| Leasehold improvements | **5,968** | 8,780 |
| Computer and office equipment | **43,198** | 46,988 |
| Furniture and fixtures | **5,566** | 6,200 |
| Motor vehicle | **3,534** | 5,468 |
| Machinery | **33,623** | 25,510 |
| Intangible assets | **1,524** | 5,885 |
| Total depreciation and amortisation | **93,716** | 98,831 |
| **Consulting fees** | **183,164** | 267,499 |
| ***Finance costs*** | | |
| Unwinding of discount – Convertible Notes | **4,906,813** | 4,810,768 |
| Interest expense – Short Term Loan | **109,957** | 356,427 |
| Loss on the issue of equity instruments in lieu of cash repayments | **-** | 2,403,034 |
| **Total finance costs** | **5,016,770** | 7,570,229 |
| **Rental expense relating to operating leases** | **784,234** | 708,045 |
| ***Superannuation expense*** | | |
| Defined contribution superannuation expense | **5,928** | 15,657 |
| ***Impairment of assets*** | | |
| Impairment of fixed asset/intangible assets on acquisition of Prodrill | **-** | 120,000 |
| Impairment of exploration and evaluation assets of Batys Kali | **44,047,619** | - |
| Reversal of deferred tax liability due to impairment of exploration and evaluation assets (Note 18) | **(8,809,524)** | - |
| Impairment of receivables | **440,234** | 3,542,742 |
| **Total impairment of assets** | **35,678,329** | 3,662,742 |

## 7. INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 (Restated) |
| | **$** | $ |
| Current tax expense | **-** | - |
| Deferred tax | **-** | - |
| Income tax expense | **-** | - |
| ***Reconciliation between prima facie tax on loss from ordinary activities to statutory income tax expense*** | | |
| Loss on ordinary activities before income tax | **(49,869,408)** | (16,072,832) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% | **(14,960,822)** | (4,821,850) |
| Add tax effect of | | |
| Differences in tax rates | **3,716,345** | 947,798 |
| Non-deductible items, temporary differences and losses not recognized | **11,244,477** | 3,874,052 |
| **Income tax expense** | **-** | - |

The benefit of tax losses has not been brought to account at 31 December 2018 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.

## 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Cash on hand | **25,165** | 41,022 |
| Cash at bank (i) | **131,900** | 605,136 |
| Cash on deposit | **1,417** | 1,752 |
| | **158,482** | 647,910 |

(i) Included in cash at bank as of 31 December 2018 was an amount of $4,637 at Satbor LLP, a subsidiary in Kazakhstan, which is restricted for use to only repay outstanding tax debts owing to the Kazakhstan Government.

## 9. CURRENT ASSETS – OTHER ASSETS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Sundry debtors, deposit and other receivables | **565,845** | 386,365 |

## 10. NON-CURRENT ASSETS – FINANCIAL ASSETS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Restricted cash (i) | **245,223** | 221,894 |
| Loan - Satimola Limited (ii) | **-** | 28,128,342 |
| Impairment of loan to Satimola Limited (iii) | **-** | (28,128,342) |
| Deposits paid | **27,116** | - |
| Loan to West Kaz Regional Energy | **10,646** | - |
| Long-term advance paid | **-** | 102,705 |
| | **282,985** | 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.

**10. NON-CURRENT ASSETS – FINANCIAL ASSETS (CONTINUED)**

(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 24 October 2018, the Company made a General Offer for Satimola. The key terms of the Offer are as follows:

(a) KPC has offered to purchase up to 2,903,088 Ordinary Shares of Satimola representing its total issued capital, at a cash purchase price of US$0.20 per share which when aggregated is US$580,518 in total to be remitted in three (3) tranches;

(b) KPC has offered to settle all Converting Notes in Satimola, for cash. The cash payment represents a rate of discount of 76.84% of total contracted liabilities and in aggregate is US$2,959,625 in total to be remitted in three (3) tranches;

(c) KPC is offering a cash payment to settle all creditor liabilities. The cash payment being offered represents a rate of discount of 76.84% of total outstanding creditors liabilities, when aggregated are US$555,377 in total to be remitted in three (3) tranches;

(d) KPC will also provide US$100,000 in working capital to Satbor and a further US$100,000 to Satimola for transaction cost;

(e) KPC has set a threshold for the Offer being proposed by KPC to Satimola (Satimola Shareholders, Converting Note Holders and Creditors). KPC will only proceed with the Offer if Satimola shareholders with a minimum of 51% of Satimola Limited issued capital accept the Shareholder Offer, and, the six (6) largest Satimola Limited Converting Note Holders (by value) also accept the Converting Note Holders Offer;

(f) On 14 November 2018, KPC announced that the minimum threshold it set in relation the General Offer for as announced on 24 October 2018, for Satimola Shareholders, Converting Note Holders and Creditors was achieved; and

(g) At 31 December 2018 KPC owned circa 74% of Satimola Limited. KPC is in the process of finalising the Satimola transaction and expects completion to occur between March and June 2020 when the third tranche payment is made. The second tranche payments were made to all General Offer participants in May 2019. Between November – December 2018 a Rights Issue was conducted under the Satimola Limited terms of the Memorandum and Articles of Association. The Rights Issue was seeking to raise US$580,618 via the issue of 29,030,880 shares on the basis of ten additional shares for every one currently held with the price at US$0.02/share for each new share. In January 2020, the share allocation from the Rights Issue was completed and registered with the British Virgin Islands registry where Satimola Limited is domiciled. At the conclusion of the Rights Issue KPC Fortis Fertilizer Limited (a 100% owned subsidiary of KPC) was the only participant. The funds raised dealt with outstanding liabilities, including tax issues and working capital. At the conclusion of the Rights Issue the share capital owned by KPC Fortis Fertilizer Limited equated to 96%.

## 11. NON-CURRENT ASSETS – INTANGIBLE ASSETS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Intangible assets - at cost | **38,158** | 38,158 |
| Less: Accumulated amortisation | **(37,880)** | (36,351) |
| | **278** | 1,807 |

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 | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Opening balance | **1,807** | 8,045 |
| Foreign exchange difference | **(5)** | (353) |
| Amortisation expenses | **(1,524)** | (5,885) |
| Closing balance | **278** | 1,807 |

## 12. 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:

| | | Ownership interest | |
|---|---|---|---|
| | **Principal place of business /** | **2018** | 2017 |
| **Name** | **Country of incorporation** | **%** | % |
| Chongqing Bright Road Industrial Co., Ltd. | People's Republic of China | **51** | 51 |

## 12. INVESTMENT IN JOINT VENTURE (CONTINUED)

| | Consolidated | |
|---|---|---|
| **Summarised statement of financial position** | **2018** | 2017 |
| | **$** | $ |
| Cash and cash equivalents | **3,191,316** | 2,065,960 |
| Other current assets | **209,362** | 6,413,911 |
| Total current asset | **3400,678** | 8,479,871 |
| Non-current assets | **15,293** | 19,984 |
| Total non-current assets | **15,293** | 19,984 |
| Current liabilities | | |
| Financial liabilities (excluding trade paybles) | **-** | - |
| Other current liabilities | **767,814** | 920,304 |
| Total current liabilities | **767,814** | 920,304 |
| Non-current liablilites | | |
| Financial liabilities (excluding trade paybles) | **-** | - |
| Other non-current liabilities | **-** | - |
| Total non-current liabilities | **-** | - |
| Net assets | **2,648,157** | 7,579,551 |
| **Summarised statement of profit or loss and other comprehensive income** | | |
| Revenue | **69,886** | 274,499 |
| Interest revenue | **-** | 9,535 |
| Exchange loss | **-** | (10,713) |
| Other expenses | **(5,264,941)** | (297,579) |
| Loss before income tax | **(5,195,055)** | (24,258) |
| Income tax expense | **-** | (9,313) |
| Loss after income tax | **(5,195,055)** | (33,571) |
| Other comprehensive income | **263,662** | (84,825) |
| Total comprehensive income | **(4,931,393)** | (118,396) |
| **Reconciliation of the consolidated entity's carrying amount** | | |
| Opening carrying amount | **3,358,298** | 3,710,450 |
| Foreign exchange difference | **347,072** | (291,770) |
| Share of loss after income tax: | **(2,649,478)** | (17,121) |
| Share of other comprehensive income | **134,468** | (43,261) |
| Share of total comprehensive income | **(2,515,010)** | (60,382) |
| Closing carrying amount | **1,190,360** | 3,358,298 |

## 12. INVESTMENT IN JOINT VENTURE (CONTINUED)

| | Consolidated | |
|---|---|---|
| **Summarised statement of financial position** | **2018** | 2017 |
| | **$** | $ |
| **Contingent liabilities** | **-** | - |
| **Commitments** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Lease commitments | **-** | - |

Relationship with JV was strategic in nature, but KPC exited the JV in December 2019 so it could concentrate its three projects in Kazakhstan.

## 13. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Leasehold improvements – at cost | **307,529** | 307,529 |
| Less: Accumulated depreciation | **(307,529)** | (301,794) |
| | **-** | 5,735 |
| Computers and office equipment – at cost | **194,352** | 192,137 |
| Less: Accumulated depreciation | **(187,172)** | (143,974) |
| | **7,180** | 48,163 |
| Furniture and fixtures – at cost | **55,588** | 53,495 |
| Less: Accumulated depreciation | **(31,326)** | (25,760) |
| | **24,262** | 27,735 |
| Buildings and structures – at cost | **2,807,588** | - |
| Less: Accumulated depreciation | **(303)** | - |
| | **2,807,285** | - |

## 13. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (CONTINUED)

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Motor vehicles – at cost | **33,617** | 35,167 |
| Less: Accumulated depreciation | **(33,617)** | (31,650) |
| | **-** | 3,517 |
| Machinery – at cost | **340,971** | 324,004 |
| Less: Accumulated depreciation | **(92,712)** | (59,089) |
| | **248,259** | 264,915 |
| Construction in progress – at cost | **1,189,687** | - |
| Less: Accumulated depreciation | **-** | - |
| | **1,189,687** | - |
| Total plant and equipment | **4,276,673** | 350,065 |

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

| **Consolidated** | **Buildings and structures $** | **Leasehold improvements $** | **Computers and office equipment $** | **Furniture and fixtures $** | **Motor vehicles $** | **Machinery $** | **Construction in progress $** | **Total $** |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 Jan 2017 | - | 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 |
| Acquisition of subsidiaries | 3,121,842 | - | - | 820 | - | 20,809 | 1,189,167 | 4,332,638 |
| Disposals | (218,808) | - | - | - | - | - | - | (218,808) |
| Foreign exchange difference | (95,446) | 233 | 2,215 | 1,273 | 17 | (3,842) | 520 | (95,030) |
| Depreciation expense | (303) | (5,968) | (43,198) | (5,566) | (3,534) | (33,623) | - | (92,192) |
| **Balance at 31 Dec 2018** | **2,807,285** | **-** | **7,180** | **24,262** | **-** | **248,259** | **1,189,687** | **4,276,673** |

Included in plant and equipment as of 31 December 2018 was an amount of $4,016,921 at Satbor LLP, a subsidiary in Kazakhstan, which is restricted from being disposed until all outstanding tax debts owing to the Kazakhstan Government has been settled.

## 14. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Exploration and evaluation assets | **81,445,240** | 99,760,724 |
| **Reconciliation of amount:** | | |
| Opening balance | **99,760,724** | 100,545,913 |
| Acquisition of Satimola | **25,329,429** | - |
| Capitalised expenditure | **89,298** | 224,749 |
| Impairment | **(44,047,619)** | - |
| Foreign exchange difference | **313,408** | (1,009,938) |
| Closing balance | **81,445,240** | 99,760,724 |

During the year the Company conducted an impairment assessment of its mineral assets in Kazakhstan and formed the view that the Chelkar and Zhilyanskoye assets had indicators of impairment as assessed against the requirements of *AASB 6 Exploration and Evaluation of Mineral Resources* specifically paragraph 20(a) and 20(b). In respect of each paragraph the directors comment as follows:

*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.*

I. Zhilyanskoye – The SSRUC continues and is valid for 48 years since its initial granting on 11 December 2008 and has moved from the exploration and is in discussions with the Ministry of Investment and Infrastructure (MII) and the Aktobe region government in relation to conducting a solution mining trial. Advice from the MII on solution mining which is not preferred has now been received by the Company. The Company will now look to develop a traditional shaft mining approach in conjunction with further discussions with the MII.

II. Chelkar – The SSRUC continues and is valid for 51 years since its initial granting on 11 December 2008. The exploration has expired. Renewal of an extension of the exploration period has been provided to the MII, however additional discussion continues with the MII in relation to extending the exploration period further to encompass 2020.

III. Satimola – The SSRUC continues and is valid for 23 years since its initial granting on 19 April 2004 and KPC is reviewing the current development program in conjunction with the MII, which is expected to result in an agreed approach during the first half of 2020.

The Sub Soil Use Contracts (SSUC) for all the three projects (Zhilyanskoye, Chelkar and Satimola) continue to be current as verified through the government department responsible for their management, the Ministry of Investment and Infrastructure's (MII) on-line site. Under the terms of each SSUC there are specified stages and times for exploration, development (transition to mining) and mining of each site, which can be varied between the parties through mutual agreement via an Addendum to the specific SSUC. For various reasons, the Company has not completed some specified stages within the allocated time which creates a risk to the on-going status and currency of the SSUC's for the project(s). The directors confirmed there is no correspondence that has been received from the MII contrary to the stated situation. Furthermore, the Company has not received any notice from the MII regarding non-fulfillment of its obligations and continues to engage with the MII in relation to the development plans of all three projects in Kazakhstan. There is no certainty that the MII will continue the engagement process with the Company in relation to its development plans and SSUC obligations and there is a risk that the MII may form a view contrary to the continued currency for either, one, or all of the SSUCs,

**14. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

however as at the date of this report there is no such indication and hence the directors are of the view that tenure remains intact for all of the SSUCs.

*b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.*

I. Zhilyanskoye – Indicator of impairment. Budgeted expenditure has been at levels necessary to maintain the good standing of the SSRUC as opposed to moving into the development stage. However, after a long consultation period with the MII in relation to a proposed a solution mining trial, the Company will move to a traditional shaft mining approach. The Company in conjunction with the Ministry of Industry and Development (MID) is now updating the development plan and budget accordingly.

II. Chelkar – Indicator of impairment. The Company has begun planning and revised implementation of the final stage exploration program. Discussions with the MII continue in relation to extending the exploration period further to encompass 2020.

III. Satimola – Indicator of impairment. Work is underway to review the current development program in conjunction with the MII which is expected to result in an agreed approach during the first half of 2020.

In respect of the Company's plans for the 3 projects the Company has failed to significantly progress the projects due to a lack of funding being available. The current plans for the projects all require significant further funding. The Company has identified potential sources for such funding but the lengthy period that has passed since significant progress has been made on the projects and the uncertainty around the ability to source funds to undertake planned activities are considered indicators of impairment.

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, the Company had in March 2018, August 2018 and January 2020, commissioned CSA Global to prepare independent valuations of the mineral assets held by the Company in Kazakhstan.

**Impairment Test**

CSA Global has determined that the appropriate valuation approach for the 3 projects is the comparative transaction valuation method. 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.

## 14. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (CONTINUED)

### Impairment Test (Continued)

| August 2018 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** | **52.5** |
| | Chelkar | Advance Exploration Area | 95% | 779 | 8.0 | 13.6 | 19.2 |
| | **Total** | | | **867** | **40.7** | **56.2** | **71.7** |

| February 2020 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 | 41.8 | 52.2 | 52.7 |
| | Zhilyanskoye Exploration Area | Advance Exploration Area | | | 0.7 | 1.3 | 2.0 |
| | **Subtotal – Zhilyanskoye** | | | **88** | **42.5** | **53.5** | **54.7** |
| | Satimola Mineral Resource | Advance Exploration Area | 96% | 246 | 56.4 | 70.3 | 84.7 |
| | Chelkar | Advance Exploration Area | 95% | 779 | 8.0 | 13.6 | 19.2 |
| | **Total** | | | **1,113** | **106.9** | **137.4** | **158.6** |

### Carrying value of exploration and evaluation assets

For the year ended 31 December 2018 the Company took guidance from the CSA Global independent valuation as at 30 June 2018 (commissioned in August 2018) and impaired the aggregate asset value of Zhilyanskoye and Chelkar by $44 million to $56.2 million (Zhilyanskoye: $42.6 million and Chelkar: $13.6 million). In relation to the Satimola asset, a CSA Global independent valuation report commissioned in March 2018, prior to the acquisition indicated a fair value of $73.6 million.

In February 2020, the Company commissioned CSA Global to prepare another independent valuation of the mineral assets held by the Company as at 31 December 2019. CSA Global's valuation of the Zhilyanskoye asset was $53.5 million (preferred), the Chelkar asset $13.6m (preferred), and the Satimola asset $70.3 million (preferred). The three assets aggregate preferred valuation was $137.7 million.

## 14. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (CONTINUED)

**Carrying value of exploration and evaluation assets (Continued)**

After taking further guidance from the recent 2020 CSA Global independent valuation in conjunction with the 2018 valuations, the Company has affirmed the carrying value of the respective mineral assets at 31 December 2018 whereby in relation to the Zhilyanskoye asset's the carrying value remains at $42.6 million which is unchanged from the August 2018 valuation, the Chelkar asset's carrying value remains at $13.6 million which is also unchanged from the August 2018 valuation, and in relation to the Satimola asset, the March 2018 and February 2020 valuations were significantly higher than its carrying value of $26.3 million hence the Company is satisfied that the Satimola asset is not impaired.

## 15. CURRENT LIABILITIES – ACCRUED EXPENSES AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Accrued expenses and sundry creditors | **2,320,745** | 456,302 |
| Other taxes and levies payable | **1,310,778** | - |
| Salary and pension payable | **719,126** | 1,109,503 |
| | **4,350,649** | 1,565,805 |

## 16. CURRENT LIABILITIES – FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Consideration payable for acquisition of Satimola (i) | **2,390,965** | - |
| Face value of convertible note - (ii) | **30,000,000** | - |
| Discount on convertible note - (ii) | **(5,465,937)** | - |
| Shareholder's loan (iii) | **205,982** | - |
| Related party loan (iv) | **-** | 208,195 |
| Other loans (v) | **-** | 557,842 |
| Borrowings (vi) | **14,567,161** | **-** |
| | **41,698,171** | 766,037 |

(i) In October 2018, the Consolidated Entity made an offer to purchase the shares of Satimola Limited. As of 31 December 2018, the first tranche had been paid to the respective former shareholders and convertible note holders. The second tranche of approximately $1 million has been paid at the date of this report. The remaining balance will be paid in 2020.

(ii) 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. From that date, interest at the rate of 12% per annum is payable in respect of any monies not repaid on that date.

**16. CURRENT LIABILITIES – FINANCIAL LIABILITIES (CONTINUED)**

As approved by the shareholders in a general meeting dated 29 May 2017, each of the holders of the Original Convertible Notes has 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 which were actioned:

(1) Each holder of the Original Convertible Notes was 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 new 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.

(iii) On 26 December 2018, Mr. Senlin Liu, a former Director and Chairman of the Board entered into an advance agreement with Fortis Mining (Beijing) Limited, an indirect wholly-owned subsidiary of the Company. The advance amounting to RMB1,000,000 (equivalent to $205,982) was made on 27 December 2018. The advance is secured by corporate guarantee executed by the Company, bears interest at 12% per annum and repayable within one year.

(iv) To provide funds to support the continued development of the Company, CAR Fund, an entity controlled by Madam Freada 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.

(v) Other loans at 31 December 2017 represented 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.

(vi) Satimola was acquired on 14 November 2018 with outstanding borrowings of 14,567,161. This borrowing balance includes convertible notes and interest of USD 237,422 and loan of USD 5,000,000 from City Winner Holdings (CWH). Satimola Limited has a liability with Asia Pacific Resources Development Investment Limited (APRDIL), via a Loan Note Certificate which has a balance owing of US$5,029,245. An understanding has been reached through discussions between KPC and the principal of APRDIL where the outstanding balance will be repaid either at the commencement of production at the Satimola project or at the engagement of a development partner for the project, whichever occurs sooner. There is a risk that APRDIL may request payment prior to production commencement or development partner engagement, and in this circumstance, if it arises, KPC will look to arrange for payment of the balance of the Loan Note Certificate. The APRDIL representative on the Satimola Limited board continues in the role with the KPC appointed directors and the APRDIL principal is a major shareholder of KPC since 2011.

## 17. NON-CURRENT LIABILITIES – NON-CURRENT FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Face value of convertible note - 2017 (Note 16(ii)) | **-** | 30,000,000 |
| Discount on convertible note - 2017 (Note 16(ii)) | **-** | (10,372,749) |
| | **-** | 19,627,251 |

## 18. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Deferred tax on acquisition of the Batys Kali LLP (i) | **17,208,393** | 17,208,393 |
| Impairment of FV of E&E Asset (ii) | **(8,809,524)** | - |
| | **8,398,869** | 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.

(ii) Due to the impairment of exploration and evaluation asset by $44,047,619 in December 2018 (Note 14), the related deferred tax liability reduced by $8,809,524.

The Consolidated Entity has not recognised any deferred tax assets in respect of the current financial year (31 December 2017: $Nil).

## 19. NON-CURRENT LIABILITIES – PROVISIONS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Provision for government expense reimbursement (i) | **6,000,527** | - |
| Provision for asset liquidation liabilities (ii) | **794,239** | - |
| Provision for abandonment fund (iii) | **133,984** | 140,160 |
| | **6,928,750** | 140,160 |

(i) 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 re-cultivation 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.

## 19. NON-CURRENT LIABILITIES – PROVISIONS (CONTINUED)

(ii) The amount of liability for asset liquidation and site restoration was determined as of 31 December 2018 and 2017 using nominal prices for liquidation works estimated at these dates and based on the application of the forecasted inflation rate in the period prior to the fulfillment of these liabilities until 2033 in the amount of 5.43% per annum (2017 - 2033: 7.22% per annum).

As of 31 December 2018 the discount rate for calculating the net present value of estimated future costs for the assets liquidation and sites restoration was 7.68% per annum (2017: 7.68 per annum).

(iii) In accordance with Exploration and Production Contracts, the Company must establish a provision for abandonment fund to cover expenses for restoration and reclamation of the contract area. The Company has established 1% of exploration expenditures provision for these purposes.

## 20. EQUITY – ISSUED CAPITAL

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | **2018 Shares** | **2017 Shares** | **2018 $** | **2017 $** |
| Ordinary shares - fully paid | 1,409,210,993 | 958,468,528 | 149,814,231 | 139,481,358 |
| Treasury shares (i) | 120,000,000 | 120,000,000 | 68,904,000 | 68,904,000 |
| **Total** | **1,529,210,993** | **1,078,468,528** | **218,718,231** | **208,385,358** |
| **At the beginning of the financial year** | **1,078,468,528** | **754,529,081** | **208,385,358** | **194,364,276** |
| Shares issued as loan repayment (ii) | 40,380,000 | 180,119,292 | 1,049,880 | 7,965,106 |
| Shares placement | 218,860,000 | 69,650,000 | 4,490,360 | 2,786,000 |
| Shares issued as consideration for acquisition of MCC Resources SARLU (iii) | 100,000,000 | - | 1,900,000 | - |
| Shares issued as professional service on acquisition MCC (Note 36) | 5,000,000 | - | 95,000 | - |
| Shares issued in lieu of cash remuneration for directors (iv) | 18,203,905 | 26,088,292 | 764,564 | 1,226,150 |
| Shares issued in lieu of cash remuneration for senior employees (v) | 5,440,287 | 7,281,863 | 132,743 | 209,280 |
| Shares issued in lieu of payment for services (vi) | 358,273 | 4,800,000 | 7,883 | 204,600 |
| Shares issued to directors as reward and incentive (Note 36) | 61,500,000 | 36,000,000 | 1,906,500 | 1,692,000 |
| Shares issued to senior employees as reward and incentive (Note 36) | 1,000,000 | - | 31,000 | - |
| Capital raising costs | - | - | (45,057) | (62,054) |
| **At end of the financial year** | **1,529,210,993** | **1,078,468,528** | **218,718,231** | **208,385,358** |

## 20. EQUITY – ISSUED CAPITAL (CONTINUED)

(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.

(ii) On 2 March 2018, 40,380,000 shares were issued at an issue price of $0.026 per share as loan repayment.

(iii) On 26 March 2018, 100,000,000 shares were issued at an issue price of $0.019 as part of the consideration for acquiring 60% of MCC Resources SARLU.

(iv) On 12 June 2018, 18,203,905 shares were issued at an issue price of $0.042 to directors in lieu of cash remuneration from April 2017 to March 2018.

(v) On 12 June 2018, 5,440,287 shares were issued at an issue price of $0.0244 to senior employees in lieu of cash remuneration from October 2017 to March 2018.

(vi) 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.

**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.

The capital risk management policy remains unchanged from the 31 December 2017 Annual Report.

## 21. EQUITY –RESERVES

| | Share option $ | Foreign currency $ | Conversion right of convertible notes $ | Other reserves $ | 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 | - | - | 9,084,797 | - | 9,084,797 |
| 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 (Restated) | 4,012,535 | (8,599,080) | 9,084,797 | - | 4,498,252 |
| Balance at 1 Jan 2018 (Restated) | 4,012,535 | (8,599,080) | 9,084,797 | - | 4,498,252 |
| Foreign currency translation | - | 299,675 | - | - | 299,675 |
| Return on capital for acquisition of MCC Resources SARLU | - | - | - | (1,558,000) | (1,558,000) |
| Expired options | (790,500) | - | - | - | (790,500) |
| **Balance at 31 Dec 2018** | **3,222,035** | **(8,299,405)** | **9,084,797** | **(1,558,000)** | **2,449,427** |

*Share option reserve*
This reserve is used to recognize the grant date fair value of options issued to employees but not exercised.

*Foreign currency reserve*
Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

*Conversion right of convertible notes reserve*
This reserve is used to record the conversion right that arise as a result of issuance of convertible notes.

*Other reserves*
During the year, the Consolidated Entity entered into a Strategic Cooperation Agreement ("Agreement") for the potential acquisition of 60% of Societe MCC Resource SARL (MCC). Pursuant to the Agreement, the Consolidated Entity issued 100,000,000 of its shares at $0.019 per share to the Seller on 26 March 2018 as part of the consideration for the potential acquisition. The potential acquisition was subsequently unwound and the Seller agreed to return the shares to the Consolidated Entity.

## 22. EQUITY –ACCUMULATED LOSSES

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| At beginning of the financial year | **146,240,938** | 131,114,090 |
| Loss after income tax for the year | **49,284,013** | 16,038,848 |
| Transfer from share option reserve on expiry of options (Note 21) | **(790,500)** | - |
| Convertible notes expired | **-** | (912,000) |
| **At the end of financial year** | **194,734,451** | **146,240,938** |

## 23. EQUITY –DIVIDENDS

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

## 24. 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 risks***
*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 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| **Consolidated** | **$** | $ | **$** | $ |
| US dollars | **264,624** | 252,989 | **5,590** | 2,533 |
| Hong Kong dollars | **3,273,491** | 854,373 | **82,451** | 365,454 |
| Chinese Renminbi | **4,044** | 9,922 | **435,897** | 2,360 |
| Kazakhstan Tenge | **124,340** | 135,704 | **753,291** | 594,643 |
| | **3,666,499** | 1,252,988 | **1,277,229** | 964,990 |

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives (Continued)**
***Market risks (Continued)***
*Foreign currency risk (Continued)*
Based on this exposure, had the Australian dollar weakened/strengthened by 10%/10% (2017: weakened/strengthened by 10%/10%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss after tax for the period would have been $238,927 lower/higher (2017: $28,800 lower/higher) and equity would have been $238,927 higher/lower (2017: $28,800 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 2018 was $34,692 (2017: gain of $330,221).

***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.

***Credit risk***

Credit risk comes from cash and cash equivalents, contractual cash flows and debt instruments and sundry debtors. Due to the limited nature of the credit risk assets are monitored individually based on knowledge of the debtor, past experience and any other relevant factors considered when determining whether to undertake the transaction. Debts are monitored and if required, expected credit losses are allowed for when identified.

The Consolidated Entity has no material credit risk exposure.

| | **Consolidated** | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Cash and cash equivalents (excluding cash on hand) | **378,540** | 606,888 |
| Non-cash financial assets | **583,981** | 324,599 |
| | **962,521** | 931,487 |

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.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives (Continued)

***Liquidity Risk (Continued)***
*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.

| **Consolidated 2018** | **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 | - | **3,039,871** | - | - | - | **3,039,871** |
| Payable for Satimola acquisition | - | **2,390,965** | - | - | - | **2,390,965** |
| Loan from CWH | - | **7,094,396** | - | - | - | **7,094,396** |
| Loan from Sprint Capital | - | **7,135,891** | - | - | - | **7,135,891** |
| *Interest-bearing - fixed rate* | | | | | | |
| Convertible note | Note (i) | **30,000,000** | - | - | - | **30,000,000** |
| Convertible note Satimola Group | Note (i) | **336,874** | - | - | - | **336,874** |
| Shareholder's loan | 12% | **205,982** | | | | **205,982** |
| Total non-derivatives | | **50,203,979** | - | - | - | **50,203,979** |

| **Consolidated 2017** | | | | | | |
|---|---|---|---|---|---|---|
| **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 |
| Convertible note | Note (i) | - | 30,000,000 | - | - | 30,000,000 |
| Total non-derivatives | | 2,331,842 | 30,000,000 | - | - | 32,331,842 |

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

The Company put a number of capital raising initiatives in place to address the issue of Liquidity Risk and these are detailed in the Going Concern section in Note 1 in this report.

## 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

**Related party transaction**
Related party transactions are set out in Note 29.

## 26. REMUNERATION OF AUDITORS

During the financial year 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 | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| BDO East Coast Partnership | | |
| *Audit or review of the financial statements* | **240,000** | 130,000 |
| BDO network firms | | |
| *Audit or review of the financial statements* | **24,632** | 48,858 |
| Non-BDO network firms | | |
| *Audit or review of the financial statements* | **34,236** | 28,600 |
| | **298,868** | 207,458 |

## 27. 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 2018.

## 28. COMMITMENTS

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| **Lease commitments - operating** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | **848,702** | 511,521 |
| Between two to five years | **647,900** | - |
| | **1,496,602** | 511,521 |

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.

However, all leases have been cancelled in 2019.

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| **Exploration obligations to be undertaken:** | | |
| Within one year | **198,277** | 496,316 |
| Between two to five years | **-** | - |
| More than to five years | **-** | - |
| | **198,277** | **496,316** |

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.

## 29. RELATED PARTY TRANSACTIONS

**Parent entity**
Kazakhstan Potash Corporation Limited is the Parent Entity.

**Subsidiaries**
Interests in subsidiaries are set out in Note 31.

| **Transactions with related parties** | **Consolidated** | |
|---|---|---|
| | **2018** | 2017 |
| *The following transactions occurred with related parties:* | **$** | $ |
| Payment of loan interest to China Asia Resources Fund (related entity of Madam Freada Cheung) | **5,486** | 91,238 |
| Receipt of loan interest from China Asia Resources Fund | **6,077** | 5,550 |

| **Receivable from and payable to related parties** | | |
|---|---|---|
| *The following current payables are outstanding at the reporting date in relation to transactions with related parties:* | | |
| Director fee payable for service of Madam Freada Cheung | **42,000** | 45,000 |
| Director fee payable for service of Terence Wong | **42,000** | 45,000 |
| Director fee payable for service of Edward Wen | **42,000** | 45,000 |
| Director fee payable for service of Junmei Zhang | **29,491** | 171,000 |
| Director fee payable for service of Baolin Wang | **-** | 45,000 |
| Director fee payable for service of Xiaokang Lyu | **42,000** | 45,000 |
| Director fee payable for service of Marco Marcou | **42,000** | 45,000 |
| Director fee payable for service of Jiafu Wei | **14,500** | 45,000 |
| Director fee payable for service of Grant Thomas | **98,677** | - |
| Salary payable to Terence Wong | **-** | 242,698 |
| Salary payable to Baolin Wang | **-** | 10,454 |
| Salary payable to Marco Marcou | **-** | 16,665 |
| Salary payable to Grant Thomas | **50,000** | - |
| Service fee payable to Terrence Grammer | **2,500** | - |
| | **405,168** | 755,817 |

## 29. RELATED PARTY TRANSACTIONS (CONTINUED)

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| **Loans from related parties:** | | |
| Loan from Mr. Senlin Liu (i) | **205,982** | - |
| Loan from China Asia Resources Fund (director related entity of Madam Freada Cheung) | **-** | 207,266 |
| Accrued interest on loan from China Asia Resources Fund | **-** | 929 |
| Loan from City Winner Holdings (Director related entity of Madam Freada Cheung) | **7,084,160** | - |
| **Loans to related parties:** | | |
| Loan to MAP ET-China Holding Pty Limited (director related entity of Marco Marcou) (ii) | **50,000** | 50,000 |
| Accrued interest on loan to MAP ET-China Holding Pty Limited | **4,907** | - |

(i) Loan from Mr. Senlin Liu is a 1 million CNY short term loan, applicable interest rate 12%. The Loan is secured by a fixed and floating charge over the assets of KPC in favour of Mr. Liu at his discretion.

(ii) Unsecured loan, applicable interest rate of 9%.

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

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Cash salary & non-monetary benefits | **835,435** | 1,066,997 |
| Share based payment benefits | **2,223,781** | 1,851,050 |
| Post-employment benefits | **769** | 3,012 |
| | **3, 059,985** | 2,921,059 |

## 30. PARENT ENTITY INFORMATION

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

| | Parent | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Loss after income tax for the year | **(47,753,571)** | (9,480,105) |
| Total comprehensive income for the year | **(47,753,571)** | (9,480,105) |
| Total current assets | **390,100** | 105,809 |
| Total assets | **52,990,969** | 89,170,771 |
| Total current liabilities | **25,336,599** | 1,507,012 |
| Total liabilities | **26,447,545** | 23,648,649 |
| Equity | | |
| Issued Capital | **218,718,231** | 208,385,358 |
| Reserves | **10,748,832** | 5,112,444 |
| Accumulated losses | **(202,923,639)** | (147,975,680) |
| Total equity | **26,543,424** | 65,522,122 |

Refer to Note 27 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.

## 31. SUBSIDIARIES

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

| | | | Equity holding | |
|---|---|---|---|---|
| **Name of entity** | **Country of incorporation** | **Class of shares** | **2018 %** | 2017 % |
| Aktobe Tuz LLP | Kazakhstan | Ordinary | **100** | 100 |
| Allied Earth Limited | British Virgin Islands | Ordinary | **100** | - |
| Allied Pacfiic Limited | British Virgin Islands | Ordinary | **100** | - |
| Batys Kali LLP | Kazakhstan | Ordinary | **95** | 95 |
| CK Resources Trading Investment 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 |
| Pacific Trinity Limited | British Virgin Islands | Ordinary | **100** | 100 |
| Prodrill Exploration LLP | Kazakhstan | Ordinary | **100** | 100 |
| Satimola Limited | British Virgin Islands | Ordinary | **73.37** | - |
| Satbor LLP | Kazakhstan | Ordinary | **73.37** | - |
| Satimola Finance Limited | Isle of Man | Ordinary | **73.37** | - |
| Sino Beverley Limited | British Virgin Islands | Ordinary | **100** | 100 |
| Star Earth Limited | British Virgin Islands | Ordinary | **100** | - |
| WIYOT S.A. | Panama | Ordinary | **100** | 100 |
| Worldwide Capital Limited | British Virgin Islands | Ordinary | **100** | 100 |
| **Shares held by Satimola** | | | | |
| Satbor LLP | Kazakhstan | Ordinary | **100** | - |
| Satimola Finance Limited | Isle of Man | Ordinary | **100** | - |

Satimola Limited (SL)'s principal place of business is located in the West Kazakhstan Province, 220km north of the Ural River port of Atyrau near the Caspian Sea and 70 km north of the town of Inderbor. The proportion of ownership interests held by non-controlling interests is 26.63%. The loss allocated to non-controlling interests of the subsidiary during the reporting period is 255,807; Accumulated non-controlling interests of the subsidiary at the end of the reporting period is 255,807.

Set out below is the supplementary information of Satimola Group,

## 31. SUBSIDIARIES (CONTINUED)

| | Satimola Group | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Loss after income tax for the year | **(960,596)** | - |
| Total comprehensive income for the year | **(960,596)** | - |
| Total current assets | **100,895** | - |
| Total assets | **53,329,851** | - |
| Total current liabilities | **1,198,859** | - |
| Total liabilities | **57,666,799** | - |
| Equity | | |
| Issued Capital | **65,981,292** | - |
| Reserves | **29,761,916** | - |
| Accumulated losses | **(100,080,156)** | - |
| Total equity | **(4,336,948)** | - |

## 32. EVENTS AFTER THE REPORTING PERIOD

KPC is in the process of finalising the final payments for the Satimola transaction and expects completion to occur between March and June 2020 when the third tranche payment is made. The second tranche payment was made to all General Offer participants in May 2019. Between November – December 2018 a Rights Issue was conducted under the Satimola Limited terms of the Memorandum and Articles of Association. The Rights Issue was seeking to raise US$580,618 via the issue of 29,030,880 shares on the basis of ten additional shares for every one currently held with the price at US$0.02/share for each new share. In January 2020, the share allocation from the Rights Issue was completed and registered with the British Virgin Islands registry where Satimola Limited is domiciled. At the conclusion of the Rights Issue KPC Fortis Fertilizer Limited (a 100% owned subsidiary of KPC) was the only participant. The funds raised dealt with outstanding liabilities, including tax issues and working capital. At the conclusion of the Rights Issue the share capital owned by KPC Fortis Fertilizer Limited equated to 96%.

On 24 March 2019 KPC entered into a Consulting Agreement, for the purpose of preparing a solution trial mining plan for the potash deposit owned by KPC. The Consultant was engaged by KPC to perform work and render services in connection with providing mining property technical consultancy services in consultation with KPC. 80 million KPC Ordinary Shares were issued to the Consultant on 25 March 2019 as consideration for the technical consultancy services. On 25 March 2019, 10,000,000 shares were issued at an issue price of $0.02 to senior employees as reward and incentive.

On 26 March 2019, an agreement has been executed in relation to the termination of the acquisition of the 60% equity stake in Société MCC Resource SARL (MCC), which holds 100% of a Mining License 14068 (PE14068). The key terms of the agreement to exit from the Société MCC Resource SARL acquisition are that KPC cease all activity in the DRC and the return by the vendor of 82 million KPC shares, paid as part consideration to the MCC vendor by KPC. The agreement contemplated the return of the shares which KPC plans to facilitate via an off-market transfer to a third-party buyer with the proceeds going to KPC. The agreement with MCC to terminate the acquisition is in addition to not proceeding any further with the Memorandum of Understanding (MoU), signed with Mining Mineral Resources SARL to acquire 51% of the Malemba Lithium Project, and, the MOU signed with La Société Katanga Copperbelt Mining SA to acquire 51% of the Kikata North and Mifumbi Copper-Cobalt Projects.

## 32. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

On 5 December 2019, revised terms in relation to the CAR Fund $30 million Convertible Notes was agreed between the CAR Fund and KPC, with a Term Sheet executed by both parties. Under the terms of the new agreement the CAR Fund, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes in lieu of interest and for agreeing to enter into the new Convertible Note for a four-year period, the CAR Fund (or its nominee) will be issued 1.5 billion fully paid ordinary shares in the Company. The agreement is subject to shareholder approval.

On 26 December 2019, KPC sold its interest in its joint venture in Chongqing Bright Road Industrial Co Ltd that it had with Chongqing Material of Agricultural Production (Group) Co Ltd (CMAG). As announced to the market on 23 August 2016, the Company entered into a joint venture with CMAG to develop a fertiliser logistics and distribution hub to supply all the major fertiliser producers in China. The Board determined that KPC should focus its efforts on its potash projects in Kazakhstan and therefore reached agreement to sell its interest in the joint venture. Under the terms of the agreement the transaction was for $1.5 million payable in two tranches. The first tranche of $150,000 is due in late March early April 2020 and the balance before 30 September 2020.

On 15 February 2020, KPC executed two Convertible Note agreements totaling $10 million. The first Convertible Note is for $6.5 million with the CWSI Group Limited (CWSI). The Convertible Note's key terms are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. Under the terms of the agreement CWSI, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the Convertible Notes, CWSI (or its nominee) will be issued 325 million fully paid ordinary shares in the Company. Under the terms of the agreement, KPC can, on request, draw down against the $6.5 million. To date, KPC has drawn down circa $5 million which has been used to settle liabilities on the Kazakhstan projects, payments in relation to the Satimola Limited transaction and general working capital.

The second Convertible Note agreement is with Harvest Leader International Limited (HLL) for $3.5 million. The Convertible Note's key terms are in line with the terms on a pro-rata basis as agreed with the CAR Fund as announced on 5 December 2019. Under the terms of the agreement, HLL also agrees to make available funds up to $3.5 million to the Company on application which has not been drawn down on to date. HLL, or its nominee, can convert the Convertible Notes into fully paid ordinary shares of KPC. Each Note ($1 per note) is convertible into 50 fully paid ordinary shares in the Company. No interest is payable on the Convertible Notes. In lieu of interest and for agreeing to enter into the Convertible Notes, HLL (or its nominee) will be issued 175 million fully paid ordinary shares in the Company. The balance of funding from both Convertible Notes will be used for general working capital.

Both Convertible Notes are subject to shareholder approval and the Board of KPC will seek shareholder approval at a General Meeting which will be called in due course.

The uncertainty around COVID-19 globally and the subsequent actions taken by governments around the world to mitigate its spread may impact the planned development activities for the Kazakhstan Projects. Management is continuously monitoring the evolving situation and are taking actions to minimise the impact of COVID-19 on the business, but it is not possible to reliably estimate the extent of any potential effect at present.

## 33. ACQUISITION OF ASSETS

On 24 October 2018, the Company made an offer:

(i) to the shareholders of Satimola Limited to purchase up to 2,903,088 ordinary shares for cash at a purchase price of US $0.20 per share, which when aggregated is US$580,518 in total to be remitted in 3 tranches.

(ii) to settle all Convertible Notes in Satimola with a cash payment, which represents a rate of discount of 76.84% of total contracted liabilities and in aggregate is US$2,959,625, to be remitted in 3 tranches.

(iii) to settle all creditor liabilities with a cash payment representing a discount of 76.84% of total outstanding creditor liabilities, when aggregated are US$555,377 in total to be remitted in 3 tranches.

KPC had set a threshold for the above mentioned offers and would proceed only if shareholders with a minimum 51% of Satimola Limited issued capital accept the offer and the six largest Convertible Note holders accept the offer. The offer was extended on 31 Oct 2018. The conditions of the offer were met on 14 Nov 2018 and Satimola became a non-wholly owned subsidiary of KPC.

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 are outlined as follows:

| | **14 Nov 2018** |
|---|---|
| Purchase consideration | **$** |
| Cash payable for 73.37% of equity shares of Satimola | 590,262 |
| Cash payable to 98% of Convertible Notes holders | 4,024,725 |
| Cash payable to Satimola creditors | 711,390 |
| Cash payable for transaction costs | 138,562 |
| Total purchase consideration | 5,464,939 |

| | **14 Nov 2018** |
|---|---|
| Assets and liabilities acquired | **$** |
| Exploration assets | 25,329,429 |
| Plant and equipment | 4,332,638 |
| Other current assets | 95,392 |
| Borrowings | (14,225,443) |
| Other current liabilities | (2,135,828) |
| Provisions | (6,205,925) |
| Non-controlling interest (26.63%) | (1,725,324) |
| Net assets acquired | 5,464,939 |

## 34. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Loss after income tax for the year | **(49,869,408)** | (16,072,832) |
| Adjustments for: | | |
| Depreciation and amortisation | **93,716** | 98,831 |
| Foreign exchange differences | **(105,530)** | (45,190) |
| Impairment of assets | **35,678,329** | 3,662,742 |
| Exporation expenditure | **342,000** | - |
| Loss on disposal of plant and equipment | **-** | 1,134 |
| Non-cash income | **(19,926)** | (1,117,377) |
| Non-cash interest expense | **5,000,288** | 7,468,489 |
| Non-cash consulting fees and other expenses | **1,068,479** | 134,600 |
| Share of results of joint venture | **2,649,478** | 60,382 |
| Shares issued to directors as reward and incentive | **1,937,500** | 2,033,250 |
| 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** | 209,280 |
| Decrease/(increase) in other current assets | **69,137** | 44,983 |
| Increase in accrued expenses and other payables | **1,257,300** | 616,753 |
| **Net cash used in operating activities** | **(1,571,460)** | (2,684,991) |

## 35. EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | **2018** | 2017 |
| | **$** | $ |
| Loss per share from continuing operations | | |
| Loss after income tax attributed to the owners | **(49,284,013)** | (16,038,848) |
| | **Shares** | Shares |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **1,170,440,430** | 757,550,488 |
| Adjustments for calculation of diluted earnings per share | **-** | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **1,170,440,430** | 757,550,488 |
| | **Cents** | Cents |
| Basic loss per share | **(4.21)** | (2.12) |
| Diluted loss per share | **(4.21)** | (2.12) |

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

## 36. SHARE-BASED PAYMENTS

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.

*Share-based payments for consultant services performed*

On 26 March 2018, KPC issued 5,000,000 fully paid ordinary shares at an issue price of $0.019 for consultant service provided in relation to acquisition of MCC Resources SARLU. The number of shares to be granted is determined based on the fair value of the services divided by the closing share price on the grant date, which was determined in the agreement between KPC and the consultant.

*Share-based payments for reward and incentives to directors and senior employees*

On 12 June 2018, KPC issued 62,500,000 fully paid ordinary shares with no amount payable to the directors and senior employees as reward and incentive in recognition of the time and effort undertaken by them in the operations of KPC over the last 12 months. The shares are recognised at the closing share price of $0.031 on the grant date (grant date fair value) as an issue of share capital and as part of employee expenses in the period the shares are granted.

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

| **31 December 2018** | | | | During the Year | | | End of Year | | |
|---|---|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price | Balance at beginning of Year | Granted | exercised | Lapsed | Outstanding | Exercisable | Weighted Average Share Price at date of exercise |
| 07/01/15 | 07/01/18 | $1.000 | 17,000,000 | - | - | 17,000,000 | - | | - |
| 07/01/15 | 07/01/18 | $1.500 | 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 | 20/04/20 | $0.055 | 52,424,400 | - | - | - | 52,424,400 | 52,424,400 | - |
| 20/04/17 | 20/04/20 | $0.055 | 40,000,000 | - | - | - | 40,000,000 | 40,000,000 | - |
| 05/06/17 | 05/06/20 | $0.100 | 60,000,000 | - | - | - | 60,000,000 | 60,000,000 | - |
| | | | 225,424,400 | - | - | 34,000,000 | 191,424,400 | 191,424,400 | - |
| Weighted Average Exercise Price | | | 0.27 | 0.00 | 0.00 | 0.00 | 0.14 | 0.14 | |

| **31 December 2017** | | | | During the Year | | | End of Year | | |
|---|---|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price | Balance at beginning of Year | Granted | exercised | Lapsed | Outstanding | 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 | 20/04/20 | $0.055 | - | 52,424,400 | - | - | 52,424,400 | 52,424,400 | - |
| 20/04/17 | 20/04/20 | $0.055 | - | 40,000,000 | - | - | 40,000,000 | 40,000,000 | - |
| 05/06/17 | 05/06/20 | $0.100 | - | 60,000,000 | - | - | 60,000,000 | 60,000,000 | - |
| | | | 73,000,000 | 152,424,400 | - | - | 225,424,400 | 225,424,400 | - |
| Weighted Average Exercise Price | | | 0.27 | 0.00 | 0.00 | 0.00 | 0.14 | 0.14 | |

The weighted average share price during the financial year was $0.14 (2017: $0.37).
The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.04 years (2017: 2.51 years).

## Directors' Declaration

For the year ended 31 December 2018

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 29 to 86, 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 2018 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.

On behalf of the directors

_____

Madam Freada Cheung
Chairperson and Managing Director

Melbourne, 30 March 2020

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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 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 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 2018 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* (*including Independence Standards*) (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.

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**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.

| *Accounting for the acquisition of the Satimola Group as an asset acquisition* | *How the matter was addressed in our audit* |
|---|---|
| During the financial year, the Company acquired a 74% equity interest in Satimola Limited and its subsidiary through a General Offer made to the shareholders of Satimola Limited.<br><br>Due to the complexity involved in the accounting treatment of the acquisition and the financial significance of the respective balances to the statement of financial position, we determined this to be a key audit matter.<br><br>Refer Note 33 of the accompanying financial report. | Our procedures to address this matter included, amongst others:<br><br>• Reviewing the key executed transaction documents to understand the key terms and conditions of the acquisition;<br><br>• Evaluating management's external expert's assessment with assistance from BDO IFRS Advisory team, our internal accounting experts on the application of the relevant Australian Accounting Standards, in particular in assessing whether the transaction constituted a business combination or an asset acquisition including whether control is obtained for the purpose of consolidating Satimola Limited;<br><br>• Evaluating the professional competency and appropriate accreditations of management's external expert;<br><br>• Reviewing the work of our appointed component auditor, BDO Kazakhstan, with respect to management's assessment of the assets acquired and liabilities assumed;<br><br>• Reviewing the allocation of the purchase consideration to the net assets as acquired; and<br><br>• Assessing the adequacy of related disclosures in the financial report. |

| *Exploration and evaluation assets - capitalisation and impairment test* | *How the matter was addressed in our audit* |
|---|---|
| The Group has capitalised exploration & evaluation assets of $81,445,240 as at 31 December 2018. In accordance with Australian Accounting Standard *AASB 6 Exploration for and Evaluation of Mineral Resources*, exploration and evaluation assets are tested for impairment when indicators for impairment are present.<br><br>Given the significant balance of exploration and evaluation assets, existence of impairment indicators and the subjectivity involved in determining whether the carrying value can be recovered through successful development or sale, we determined this to be a key audit matter.<br><br>Refer Note 14 of the accompanying financial report. | Our procedures to address this matter included, amongst others:<br><br>• Obtaining relevant audit evidence to support management's position that the Group continues to have tenure to the areas of interest. This includes an external legal opinion in Kazakhstan as commissioned by management that the Group continues to have existing valid rights or tenure to explore in all of the areas of interest;<br><br>• Evaluating management's assessment of the carrying value of the exploration and evaluation assets against the requirements of *AASB 6* specifically in identifying indicators of impairment and management's assessment that indicators of impairment existed due to limited exploration and need for fund raising prior to any future substantive expenditure;<br><br>• Enquiring with management about their funding plans and reviewing budgets to understand whether substantive expenditures were planned for further exploration to validate the existence of mineral resources in the Group's areas of interest;<br><br>• Reviewing the independent external valuation reports as commissioned by management on each of the areas of interest in Kazakhstan. Our review included critically evaluating the valuation methodology and assumptions applied with assistance from BDO Corporate Finance, our internal valuation experts;<br><br>• Evaluating the technical competency and appropriate accreditations of management's external valuation expert;<br><br>• Reviewing management's determination of the total impairment charge of $44,047,619 to the Zhilyanskoye and Chelkar areas of interest as indicated in the external valuation reports;<br><br>• Engaging BDO Kazakhstan as our component auditor to assist with the audit of the subsidiaries (Batys Kali LLP and Satbor LLP) where the exploration and evaluation assets were capitalised in relation to the areas of interest in Kazakhstan; and<br><br>• Assessing the adequacy of related disclosures in the financial report in compliance with AASB 6 and Australian Accounting Standard *AASB 136 Impairment of Assets*. |

| *Prior year adjustment – restatement of comparatives from the issue of the Replacement convertible notes* | *How the matter was addressed in our audit* |
|---|---|
| The Group replaced its previous $30 million convertible notes with $30 million new convertible notes (Replacement convertible notes) in the 2017 financial year.<br><br>During the year management reconsidered the accounting treatment in relation to the de-recognition and changeover of the convertible notes including re-performing all relevant valuations of shares and options on adoption and conversion as applicable. As part of the process management noted that the additional 60 million options to be issued on conversion were not considered and certain assumptions adopted in valuing the 150 million shares on conversion were incorrect. The findings resulted in a prior year adjustment of $7,984,888 to restate the previously reported result of the Group.<br><br>Given the significant balance of the prior year adjustment as determined by management and the complexity in the valuation and accounting of the respective applicable options and shares on conversion from the Replacement convertible notes, we have determined this to be a key audit matter.<br><br>Refer Note 4 of the accompanying financial report. | Our procedures to address this matter included, amongst others:<br><br>• Reviewing the determination and accounting of the prior year adjustment with assistance from BDO IFRS Advisory team, our internal accounting experts, to ensure compliance with Australian Accounting Standards *AASB 9 Financial Instruments* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.<br><br>• Reviewing management's valuations of the respective shares and options on conversion with assistance from BDO Corporate Finance team, our internal valuation experts; and<br><br>• Assessing the adequacy of related disclosures in the financial report in compliance with *AASB 108*. |

| *Audit strategy for overseas operations* | *How the matter was addressed in our audit* |
|---|---|
| The Group's structure comprises significant overseas operations in Kazakhstan, China and the Democratic Republic of Congo. 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 this matter included, amongst others:<br>• Planning and scoping our audit using a risk based approach across all key components to determine the extent of audit work to be undertaken.<br>• Evaluating the professional competency and appropriate accreditations of our component auditors;<br>• Communicating with component auditors of significant subsidiaries in Kazakhstan and a joint venture in China through Group Audit Engagement Instructions, constant communication via email and phone discussions over significant areas and findings. Component auditors were required to formally report back to us as group auditors via an inter-office audit opinion; and<br>• Performing analytical review procedures on financial information of all components, including a review of actual and prior year results as applicable. |

| *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 2016 financial year.<br>CBRI operates in an emerging market (China) that is subject to higher risk factors, we have determined this to be a key audit matter.<br>Refer Note 12 of the accompanying financial report. | Our procedures to address this matter included, amongst others:<br>• Engaging BDO China as our component auditor to assist with the audit of the JV;<br>• Reconfirming with management KPC's joint control of the joint venture in the context of Australian Accounting Standard *AASB 11 Joint Arrangements*;<br>• Reviewing the equity accounting of the JV's results to ensure compliance with Australian Accounting Standard *AASB 128 Investments in Associates and Joint Ventures*;<br>• Evaluating the position paper provided by management in relation to the investment's carrying value against the requirements of *AASB 128*, in assessing for any potential indicators of impairment; and<br>• Assessing the adequacy of related disclosures in the financial report. |

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| *Acquisition of Société MCC Resource SARL* | *How the matter was addressed in our audit* |
|---|---|
| On 26 March 2018, the Company issued 100,000,000 of its shares as consideration for the potential acquisition of 60% of Société MCC Resource SARL (MCC). Subsequently on 26 March 2019, an agreement was executed in relation to the termination of the acquisition and 82,000,000 shares paid as part consideration to the MCC vendor were to be returned to the Company's control.<br><br>Due to the nature and the complexity in accounting for this transaction (i.e. acquisition and termination), we have determined this to be a key audit matter.<br><br>Refer Notes 21 and 32 of the accompanying financial report. | Our procedures to address this matter included, amongst others:<br><br>• Reviewing the key executed transaction documents (i.e. acquisition and termination) to understand the key terms and conditions of the transactions;<br><br>• Evaluating management's external expert's accounting treatment with assistance from BDO IFRS Advisory team, our internal accounting experts for compliance with relevant Australian Accounting Standards, in particular in assessing whether the acquisition constituted a business combination or an asset acquisition including the justification of the termination being an adjusting subsequent event in compliance with Australian Accounting Standard *AASB 110 Events after the Reporting Period;*<br><br>• Evaluating the professional competency and appropriate accreditations of management's external expert;<br><br>• Engaging BDO South Africa in conjunction with a local firm in the Democratic Republic of Congo as our component auditors to assist with the review of MCC; and<br><br>• Assessing the adequacy of related disclosures in the financial report. |

**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 2018, 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 17 to 25 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Kazakhstan Potash Corporation Limited, for the year ended 31 December 2018, 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**

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Wai Aw
Partner

Melbourne, 30 March 2020

## Shareholder Information

For the year ended 31 December 2018

The shareholder information set out below was applicable as at 16 March 2020

**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 | 165 |
| 1,001 to 5,000 | 348 |
| 5,001 to 10,000 | 187 |
| 10,001 to 100,000 | 200 |
| 100,001 and over | 84 |
| | 984 |
| Holding less than a marketable parcel | 802 |

**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 |
| Hua Lin Investments Holding Pty Limited | 200,000,000 | 12.35 |
| Hillot Limited | 195,660,576 | 12.08 |
| Citicorp Nominees Pty Limited | 126,461,234 | 7.81 |
| Sly & Russell Legal Nominees Pty Limited | 120,000,000 | 7.41 |
| Goldquest Services Inc. | 110,000,000 | 6.79 |
| Maohuai Cong | 82,000,000 | 5.06 |
| Daling Zhang | 80,000,000 | 4.94 |
| J P Morgan Nominees Australia Limited | 54,601,217 | 3.37 |
| Glory Success Enterprise Inc | 53,000,000 | 3.27 |
| Wise Concept Enterprises Inc | 48,400,000 | 2.99 |
| Maxi Honour Co Ltd | 44,000,000 | 2.72 |
| BNP Paribas Nominees Pty Limited | 43,985,122 | 2.72 |
| Gold Image Holdings Limited | 40,380,000 | 2.49 |
| Mainstar Investments Ltd | 40,000,000 | 2.47 |
| Asia Gain Holdings Limited | 38,850,000 | 2.40 |
| Global Win Limited | 38,300,000 | 2.37 |
| Star Dynamic Limited | 38,300,000 | 2.37 |
| Charming Merit Holdings Inc | 30,000,000 | 1.85 |
| Mrs Donglian Wang | 25,653,846 | 1.58 |
| Kwong Lung Terrence Wong | 20,030,701 | 1.24 |
| | 1,429,622,696 | 88.28 |

**Equity security holders (Continued)**

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 154,424,400 | 9 |

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

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total share issued |
| Hua Lin Investments Holding Pty Limited | 200,000,000 | 12.35 |
| Hillot Limited | 195,660,576 | 12.08 |
| Citicorp Nominees Pty Limited | 126,461,234 | 7.81 |
| Sly & Russell Legal Nominees Pty Limited | 120,000,000 | 7.41 |
| Goldquest Services Inc. | 110,000,000 | 6.79 |
| Maohuai Cong | 82,000,000 | 5.06 |

**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.

| 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 |