

**IC POTASH CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2016**

**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of  
IC Potash Corp.

We have audited the accompanying consolidated financial statements of IC Potash Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of IC Potash Corp. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about IC Potash Corp.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada  
Chartered Professional Accountants

March 28, 2017



**IC POTASH CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in US Dollars)

	December 31, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,114,540	\$ 741,338
Receivables	14,386	722
Prepaid expenses	104,631	50,240
	<u>3,233,557</u>	<u>792,300</u>
<b>Property, plant and equipment</b> (note 4)	19,775,768	56,197,065
<b>Deposits</b> (note 3)	76,170	80,297
<b>Deferred financing costs</b> (note 10)	-	133,338
	<u>\$ 23,085,495</u>	<u>\$ 57,203,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 5,13)	\$ 854,662	\$ 689,207
Decommissioning liabilities (note 8)	700,000	-
Employment liability (note 7)	521,338	939,306
Warrant liability (note 11)	569,152	-
	<u>2,645,152</u>	<u>1,628,513</u>
<b>Non-current</b>		
Convertible preferred shares - Series A (note 9)	12,693,478	10,718,590
Convertible preferred shares - Series B (note 9)	5,172,951	-
Decommissioning liabilities (note 8)	54,077	186,207
Secured notes (note 10)	2,530,821	-
Warrant liability (note 11)	-	4,088
	<u>23,096,479</u>	<u>12,537,398</u>
<b>Shareholders' equity (deficiency)</b>		
Share capital (note 9)	95,442,483	94,044,519
Reserves (note 9)	9,434,365	9,099,058
Currency translation adjustment reserve	(9,273,273)	(9,273,273)
Deficit	(95,614,559)	(49,204,702)
	<u>(10,984)</u>	<u>44,665,602</u>
	<u>\$ 23,085,495</u>	<u>\$ 57,203,000</u>

**Nature of operations and going concern** (note 1)

**Commitments** (note 15)

**Subsequent events** (note 21)

**On behalf of the Board:**

“Ernest Angelo, Jr” Director

“Mehdi Azodi” Director

The accompanying notes are an integral part of these consolidated financial statements.

**IC POTASH CORP.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE YEARS ENDED DECEMBER 31

(Expressed in US Dollars)

	2016	2015
<b>EXPENSES</b>		
Administration (note 13)	\$ 211,226	\$ 540,349
Business and market development	203,181	99,053
Consulting fees (note 13)	455,575	697,068
Depreciation	33,321	41,600
Fundraising activities	217,033	1,654,360
Foreign exchange loss	60,025	12,417
Investor relations	114,421	333,744
Professional fees	178,651	936,628
Regulatory fees	48,978	62,956
Rent and storage	57,775	80,416
Royalties and property leases	284,762	284,554
Share-based compensation (note 11,13)	300,462	130,145
Travel	57,270	67,247
Termination expense (note 13)	-	1,603,910
Wages and benefits (note 13)	1,050,253	1,811,271
<b>Operating loss</b>	<b>(3,272,933)</b>	<b>(8,355,718)</b>
Interest income	1,464	4,236
Derivative loss (note 11)	(187,715)	(4,088)
Finance costs (note 12)	(2,524,021)	(1,900,381)
Loss on asset disposal	(405)	(19,887)
Impairment of Ochoa property (note 4)	(40,426,247)	-
<b>Loss and comprehensive loss for the year</b>	<b>\$ (46,409,857)</b>	<b>\$ (10,275,838)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.25)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares</b>		
<b>outstanding basic and diluted</b>	<b>185,698,153</b>	<b>172,874,654</b>

The accompanying notes are an integral part of these consolidated financial statements.

**IC POTASH CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**  
(Expressed in US Dollars)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (46,409,857)	\$(10,275,838)
Items not affecting cash:		
Accretion	2,575	6,873
Depreciation	33,321	41,600
Derivative loss	187,715	4,088
Loss on asset disposal	405	19,887
Interest expense on convertible preferred shares	2,147,839	1,893,508
Interest expense on secured notes	373,607	-
Share-based compensation	300,462	130,145
Unrealized foreign exchange loss	-	107,733
Impairment of Ochoa property	40,426,247	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(13,664)	5,183
Decrease (increase) in prepaid expenses	(54,391)	159,568
Increase (decrease) in accounts payable and accrued liabilities	8,073	(121,472)
Increase (decrease) in employment liability	(417,968)	939,306
Net cash used in operating activities	<u>(3,415,636)</u>	<u>(7,089,419)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment expenditures	(3,187,357)	(2,167,691)
Deposits	4,127	6,658
Disposal of asset for cash	-	4,325
Net cash used in investing activities	<u>(3,183,230)</u>	<u>(2,156,708)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	1,664,494	-
Proceeds from warrants exercise	269,865	-
Common shares issuance costs	(124,201)	-
Proceeds from issuance of preferred shares	5,000,000	-
Proceeds from issuance of secured notes	2,500,000	-
Secured notes issuance costs	(338,090)	(4,696)
Net cash provided by (used in) financing activities	<u>8,972,068</u>	<u>(4,696)</u>
<b>Change in cash for the year</b>	2,373,202	(9,250,823)
<b>Effect of foreign exchange rate changes on cash</b>	-	(107,984)
<b>Cash, beginning of year</b>	<u>741,338</u>	<u>10,100,145</u>
<b>Cash, end of year</b>	<u>\$ 3,114,540</u>	<u>\$ 741,338</u>

**Supplemental disclosure with respect to cash flows (note 14)**

The accompanying notes are an integral part of these consolidated financial statements.

**IC POTASH CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in US Dollars)

	Share Capital					
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balances as at December 31, 2014	172,874,654	\$94,044,519	\$8,968,913	\$ (9,273,273)	\$(38,928,864)	\$54,811,295
Share-based compensation	-	-	130,145	-	-	130,145
Loss and comprehensive loss	-	-	-	-	(10,275,838)	(10,275,838)
Balances as at December 31, 2015	172,874,654	94,044,519	9,099,058	(9,273,273)	(49,204,702)	44,665,602
Shares issued for cash	35,448,891	1,664,494	-	-	-	1,664,494
Warrant exercised	4,500,000	458,730	-	-	-	458,730
Warrant liability	-	(566,214)	-	-	-	(566,214)
Share issuance costs	-	(159,046)	-	-	-	(159,046)
Share-based compensation	-	-	300,462	-	-	300,462
Broker warrants	-	-	34,845	-	-	34,845
Loss and comprehensive loss	-	-	-	-	(46,409,857)	(46,409,857)
Balances as at December 31, 2016	212,823,545	\$95,442,483	\$9,434,365	\$ (9,273,273)	\$(95,614,559)	\$ (10,984)

The accompanying notes are an integral part of these consolidated financial statements.

**1. NATURE OF OPERATIONS AND GOING CONCERN**

IC Potash Corp. (“IC Potash” or the “Company”) was incorporated under the Canada Business Corporations Act on November 8, 2002. IC Potash is a development stage mining company. The Company is involved in the development of potash and potash-related minerals that can be applied directly or processed and converted into Sulphate of Potash and other fertilizers. The Company’s registered office is 82 Richmond Street East, Toronto, ON M5C 1P1. The Consolidated Financial Statements (“Financial Statements”) are comprised of the Company and its subsidiaries. To date, the Company has not earned operating revenue.

The recovery of the amounts comprising development assets are dependent upon the ability of the Company to obtain necessary financing to successfully complete the development of those reserves and upon future profitable production or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis.

The Company will need to raise capital in order to fund its operations and development of the Ochoa Project. This may be adversely impacted by uncertain market conditions and regulatory approvals. To address its financing requirements, the Company may seek financing through debt and equity financings, asset sales, joint ventures, off-take agreements, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

The Company’s continuation as a going concern is dependent on the successful results from its mineral property development activities and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There can be no assurances that management’s plans for the Company will be successful. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. These Financial Statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than in the normal course of business and at amounts different from those reflected in these Financial Statements.

The Corporation is currently exploring alternatives to obtain financing. Such alternatives may involve debt, equity or alternative financing structures and may occur at the public company or subsidiary level.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance:**

These Financial Statements have been prepared in accordance with IAS 1 ‘Presentation of Financial Statements’ (“IAS 1”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Financial Statements were authorized by the audit committee and board of directors of the Company on March 27, 2017.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**b) Basis of presentation:**

The Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Financial Statements are in accordance with IFRS.

**c) Foreign currency translation**

The consolidated financial statements are presented in U.S. dollars. The Company and its subsidiaries functional currencies are the U.S. dollar as management has determined that the currency of the primary economic environment in which the entities operate, including the planned development of the Ochoa property and the recent U.S. dollar financings, is the U.S. dollar.

Transactions in foreign currencies are translated into the entities functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the U.S. dollar are translated using the exchange rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates in effect at the date of the underlying transaction, except for depreciation related to non-monetary assets, which is translated at historical exchange rates. Exchange differences are recognized in the statements of loss and comprehensive loss in the year in which they occur.

**d) New standards, amendments and interpretations:**

*Effective and adopted January 1, 2016*

IFRS 10, IFRS 12, and IAS 28 – Investment Entities. IFRS 10, IFRS 12, and IAS 28 were amended to discuss the application of the investment entities exception. There was no impact on the Company's consolidated financial statements upon adoption of this amendment.

IFRS 11 – Accounting for Acquisitions of Interest in Joint Operations. IFRS 11 was amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. There was no impact on the Company's consolidated financial statements upon adoption of this amendment.

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization. IAS 16 and IAS 38 were amended to (i) clarify that the use of revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption for intangible assets. There was no impact on the Company's consolidated financial statements upon adoption of this amendment.

IAS 27 - Equity Method in Separate Financial Statements. IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. There was no impact on the Company's consolidated financial statements upon adoption of this amendment.



**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**d) New standards, amendments and interpretations (cont'd...):**

*Effective January 1, 2018*

IFRS 9 - Financial Instruments: Classification and Measurement. IFRS 9 is a new standard that will replace IAS 39. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 introduces new requirements for the classification and measurement of financial instruments as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value and a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows in the form of principal and interest otherwise it is at fair value through profit or loss ("FVTPL"). Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers. IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 15.

*Effective January 1, 2019*

IFRS 16 – Leases: IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2019, and has not yet considered the potential impact of the adoption of IFRS 16.

**e) Basis of consolidation:**

The consolidated financial statements of the Company include the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership
Intercontinental Potash Corp.	<i>Canada</i>	100%
Trigon Exploration Utah Inc.	<i>USA</i>	100%
Intercontinental Potash Corp. (USA) ("ICP(USA)")	<i>USA</i>	100%

The Company consolidates the subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

**f) Cash:**

Cash is comprised of cash deposited at Canadian and United States banks and secure, short-term, highly liquid demand deposits.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**g) Property, plant, and equipment:**

Property, plant, and equipment ("PPE") is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use including associated borrowing costs and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Carrying amounts of PPE are depreciated to their estimated residual value over the estimated useful lives of the assets or the related mine or plant if shorter. Where an item of PPE is composed of major components with different useful lives, the components are accounted for as separate items of PPE.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Development and field support costs including associated borrowing costs directly related to mining assets are capitalized until the property to which they directly relate is placed into commercial production, sold, abandoned or subject to a condition of impairment. Mine development and shaft access incurred during the development of a mine are capitalized. Mine development and shaft access incurred during the commercial production phase are production costs that are included in the costs of inventory produced during the period that these costs are incurred, unless the mine development and shaft access activity can be shown to give rise to future benefits from the mineral property such as increased reserves, in which case the costs would be capitalized to mineral property.

Mining assets are depreciated over the life-of-mine using the unit-of-production method. The life-of-mine is based on the proven and probable mineral reserves related to the associated ore body. There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that were valid at the reporting date may change when new information becomes available. Depreciation begins when the assets are available for use.

Although the Company has taken steps to verify ownership and legal title to mineral properties in which it has an interest, according to the usual industry standards for the stage of mining, development and exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, and title may be affected by undetected defects. However, management is not aware of any such agreements, transfers or defects.

Depreciation is provided using the units of production or the declining balance basis at the following annual rates:

Furniture and fixtures	20% declining balance
Computer equipment	45% declining balance
Other equipment	20% declining balance
Vehicles	30% declining balance
Mining assets	unit of production

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**g) Property, plant, and equipment (cont'd...)**

The Company conducts an annual assessment of the residual values, useful lives and depreciation methods being used for PPE and any impairment arising from the assessment is recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**h) Exploration and evaluation assets:**

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment at each reporting date if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are tested for impairment and then reclassified to development assets within property, plant and equipment. Any impairment loss is recognized in profit or loss before reclassification.

**i) Impairment:**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**j) Decommissioning, restoration and similar liabilities (“decommissioning liabilities”):**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning liability is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these decommissioning liability costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had \$754,077 in decommissioning liabilities as at December 31, 2016 (2015 - \$186,207) (note 8).

**k) Related party transactions:**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**l) Significant accounting estimates and judgments:**

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management’s best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

*Functional currency*

The main business activities of the Company is in the United States of America and is funded primarily by the United States (“U.S.”) dollar. Therefore, the Company has determined that the U.S. dollar is the functional currency. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*Economic recoverability and probability of future benefits of development costs.*

Management has determined that development and related costs incurred which were capitalized have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, feasibility studies, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**1) Significant accounting estimates and judgments (cont'd...)**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

*Impairment of property, plant and equipment and mining interest*

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's PPE and mining interests are impaired. External sources of information management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its PPE and mining interests. Internal sources of information management considers include the manner in which mining PPE are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's PPE and mining interests, management makes estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Reductions in commodity price forecasts, increases in estimated future costs of production, increases in estimated future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's PPE and/or mining interests.

*Depreciation and amortization rate for property, plant and equipment and depletion rate for mining interests*

Depletion, depreciation and amortization expenses are allocated based on assumed asset lives. Should the asset life, depletion rates or depreciation rates differ from the initial estimate, the change in estimate would be made prospectively in the consolidated statements of loss and comprehensive loss.

*Estimated reclamation and closure costs*

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Changes to reclamation and closure costs obligations are recorded with a corresponding change to the carrying amounts of related mining properties. Adjustments to the carrying amounts of related mining properties can result in a change to future depletion expense.

*Valuation of share-based payments and derivatives*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and derivatives. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rates. Changes in the Input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**l) Significant accounting estimates and judgments (cont'd...)**

*Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting year, the Company reassesses unrecognized income tax assets.

*Useful lives of equipment*

The Company estimates the useful lives of equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the equipment would increase the recorded expenses and decrease the non-current assets.

**m) Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fees or other transaction costs are assigned a value based on the Black-Scholes pricing model and included in reserves.

When warrants are exercised, any reserves related to those warrants are reclassified from reserves to share capital.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**n) Share-based compensation:**

The Company's stock option plan allows eligible Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

**o) Loss per share:**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**p) Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**q) Financial assets:**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. The Company's deposits are classified as held to maturity.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**q) Financial assets (cont'd...)**

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. The Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**r) Financial liabilities:**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has classified the warrant liability and the derivative liability associated with the Preferred Shares conversion as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable, employment liability, convertible preferred shares and secured notes are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives and derivative warrant liabilities, are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

**s) Share capital:**

Common shares are classified as share capital. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

**3. DEPOSITS**

	December 31, 2016	December 31, 2015
BLM permit bond	\$ 50,000	\$ 50,000
MegaBond	25,000	25,000
Office security deposits	1,170	5,297
Total	\$ 76,170	\$ 80,297



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**4. PROPERTY, PLANT AND EQUIPMENT**

Ochoa property

The Company's land holdings consist of federal preference right potassium leases, federal subsurface potassium prospecting permits and State of New Mexico potassium mining leases. Effective November 1, 2014, the Company's wholly-owned subsidiary Intercontinental Potash Corp. (USA) was granted Preference Rights Leases by the U.S. Department of the Interior Bureau of Land Management ("BLM"). The potassium leases, in conjunction with those granted by the New Mexico State Land Office, comprise the entire area of the original 50-year Ochoa mine plan approved by the BLM in the Record of Decision ("ROD") dated April 10, 2014.

Property, plant and equipment consist of the following:

Cost	Development Project - Ochoa Property	Furniture and fixtures	Computer equipment	Other equipment	Vehicles	Total
As at December 31, 2014	\$ 53,796,399	\$ 46,003	\$ 117,123	\$ 32,190	\$ 103,394	\$ 54,095,109
Additions	2,326,119	-	30,288	-	-	2,356,407
Disposals	-	(39,162)	(36,540)	-	-	(75,702)
<b>As at December 31, 2015</b>	<b>56,122,518</b>	<b>6,841</b>	<b>110,871</b>	<b>32,190</b>	<b>103,394</b>	<b>56,375,814</b>
Additions	4,036,729	-	1,954	-	-	4,038,683
Disposals	-	-	(7,381)	-	-	(7,381)
<b>As at December 31, 2016</b>	<b>\$ 60,159,247</b>	<b>\$ 6,841</b>	<b>\$ 105,444</b>	<b>\$ 32,190</b>	<b>\$ 103,394</b>	<b>\$ 60,407,116</b>

**Depreciation and impairment**

As at December 31, 2014	\$ -	\$ 21,778	\$ 80,130	\$ 18,627	\$ 68,104	\$ 188,639
Additions	-	1,982	23,029	3,542	13,047	41,600
Disposals	-	(20,952)	(30,538)	-	-	(51,490)
<b>As at December 31, 2015</b>	<b>-</b>	<b>2,808</b>	<b>72,621</b>	<b>22,169</b>	<b>81,151</b>	<b>178,749</b>
Additions	-	1,585	19,770	2,833	9,133	33,321
Disposals	-	-	(6,969)	-	-	(6,969)
Impairment	40,426,247	-	-	-	-	40,426,247
<b>As at December 31, 2016</b>	<b>\$ 40,426,247</b>	<b>\$ 4,393</b>	<b>\$ 85,422</b>	<b>\$ 25,002</b>	<b>\$ 90,284</b>	<b>\$ 40,631,348</b>

**Net book value:**

As at December 31, 2015	\$ 56,122,518	\$ 4,033	\$ 38,250	\$ 10,021	\$ 22,243	\$ 56,197,065
<b>As at December 31, 2016</b>	<b>\$ 19,733,000</b>	<b>\$ 2,448</b>	<b>\$ 20,022</b>	<b>\$ 7,188</b>	<b>\$ 13,110</b>	<b>\$ 19,775,768</b>

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**4. PROPERTY, PLANT AND EQUIPMENT (cont'd...)**

**Impairment**

The recoverable amount of the Company's cash generating unit ("CGU"), which includes the Ochoa development project, is determined where facts and circumstances provide impairment indicators. The recoverable amount is based on the CGU's future after-tax cash flows expected to be derived from the Company's Ochoa development project and represents the CGU's fair value less costs to sell ("FVLCTS"). The after-tax cash flows are determined based on life-of mine ("LOM") after-tax cash flow projections which incorporate management's best estimates of future resource prices, production based on current estimates of recoverable reserves and resources, exploration potential, future operating costs and non-expansionary capital expenditures. Projected cash flow are discounted using a weighted average cost of capital. Management's estimate of the FVLCTS of its CGU is classified as level 3 in the fair value hierarchy.

At December 31, 2016, the Company determined there were indicators of potential impairment on its non-current assets, including the decline in the Company's market capitalization, uncertainty of polyhalite future pricing and market used in the 2016 Preliminary Economic Assessment, and the consequential impact on the Company's future cash flows. Based on the Company's assessment of the recoverable amounts of its CGU, the Company concluded that the Ochoa Project had an estimated recoverable value, based on its FVLCTS, below its carrying value and an impairment charge was required. Based on its assessment, the Company recorded during the year ended December 31, 2016 a non-cash impairment charge of \$40,426,247, using a discount rate of 26.6% along with a long-term polyhalite price assumption increasing from \$162/ton to \$218/ton over the first 20 years and then fixed at \$224/ton over the remaining life of the mine.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2016	December 31, 2015
Trade payables	\$ 395,366	\$ 130,764
Accrued liabilities (note 6)	442,650	544,978
Other	16,646	13,465
Total	\$ 854,662	\$ 689,207

**6. CONTINGENT LIABILITY**

In January 2013, the Company signed an Advanced Works Agreement with Veolia Water Solutions and Technologies North America, Inc. (the "Contractor") in which the Company would have to pay the Contractor \$522,533 to terminate the contract for convenience or if the Company fails to award a contract to the Contractor for the purchase of the evaporation and/or crystallization equipment for the Ochoa Project within twelve (12) months of the completion of the Services.

The Company amended the terms of the Advanced Works Agreement, which extended the completion date specified under the Agreement. In exchange for this extension, the Company paid a fee of \$104,507 in December 2014. Also, under the terms of this amendment, a fee of \$418,026 is payable if the Company fails to award a contract to the Contractor for the purchase of the evaporation and/or crystallization equipment for the Ochoa Project by December 31, 2015. The contract was not awarded by December 31, 2015 and therefore the Company paid \$100,000 toward this liability in February 2016 and accrued the fee of \$318,026 at December 31, 2016 (note 5).

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**7. EMPLOYMENT LIABILITY**

In July 2015, the Company signed a Termination and Settlement Agreement that included a severance payment to be paid to the former President and Chief Executive Officer:

- a) \$500,000 CAD, less applicable deductions for taxes was paid on July 15, 2015 and
- b) \$1,600,000 CAD, less applicable deductions for taxes, is paid in monthly instalments of \$50,000 CAD, less applicable deductions for taxes, commencing on July 31, 2015 and continuing until the earlier of March 31, 2018 or the Company and/or its subsidiary ICP(USA) successfully complete a financing that results in the Company and/or ICP(USA) raising gross proceeds of \$10 million CAD or a combination of financings that raise gross proceeds of \$10 million CAD, at which time the then remaining balance of the severance payment shall become payable within thirty (30) days.

The full amount of the severance of \$1,603,910 (\$2,100,000 CAD) was expensed during the year ended December 31, 2015 (note 13). As at December 31, 2016, the balance of employment liability is \$521,338 (2015 - \$939,900) (\$700,000 CAD; 2015 - \$1,300,000 CAD) and is included in current liabilities as the Company has completed financings that meets the above conditions.

**8. DECOMMISSIONING LIABILITIES**

	December 31, 2016	December 31, 2015
<b>Current reclamation liability</b>		
Balance beginning of year	\$ -	\$ -
Change in estimate	700,000	-
Balance for current liability	700,000	-
<b>Long-term reclamation obligation</b>		
Balance beginning of year	186,207	137,459
Change in estimate	(134,705)	41,875
Accretion expense	2,575	6,873
Balance for long-term liability	54,077	186,207
Balance end of the year for decommissioning liability	\$ 754,077	\$ 186,207

**Site Restoration: Ochoa Project – New Mexico**

The Company completed drilling two water wells during fiscal 2012. The decommissioning of these water wells and associated drilling pits and drilling pads in New Mexico is subject to legal and regulatory requirements. The drilling pits were reclaimed and decommissioned in fiscal 2014 at a cost of \$330,107. Estimates of the costs of decommissioning are calculated based on guidance from the New Mexico Department of Energy Minerals and Natural Resources, Mining and Minerals Division. Estimates of the costs of decommissioning are reviewed periodically by authorized officers of the Company. The long-term liability represents the Company's best estimate of the present value of future decommissioning costs, discounted at 5%.

In order to eliminate the ongoing monitoring costs associated with the test holding pond, the Company has decided to close the related pond in 2017. The estimated cost for closing the pond is \$700,000.

As at December 31, 2016, the undiscounted amount of estimated future decommissioning costs based on today's costs with 3% inflation after 3 years of development and 42 years potential production is \$529,423 (2015 - \$2,354,185). Decommissioning costs are expected to be incurred in 2061.

## **9. SHARE CAPITAL AND RESERVES**

### **Common shares**

Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

Refer to the Consolidated Statements of Changes in Shareholders' Equity (Deficiency) for a summary of changes in share capital and reserves for the year ended December 31, 2016. Reserves relate to stock options and compensatory warrants that have been issued by the Company (note 11).

During the year-ended December 31, 2016, the Company issued the following common shares:

- On May 20, 2016, the Company issued 18,498,891 units pursuant to a non-brokered offering, made up of 17,998,891 units at CAD\$0.045 and 500,000 units at CAD\$0.05 per unit (issued to a Director of the Company) for gross proceeds of CAD\$834,950. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for CAD\$0.08 per share until May 20, 2017, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds CAD\$0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of CAD\$38,496. The Company also issued an aggregate of 855,478 broker warrants to qualified eligible persons, each such broker warrant entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to CAD\$0.065, with a fair value of CAD\$17,621 (note 11).
- On November 7, 2016, the Company issued 4,500,000 shares at CAD\$0.08 pursuant to the exercise of warrants.
- On December 14, 2016, the Company issued 16,950,000 units at CAD\$0.08 pursuant to a non-brokered offering, for gross proceeds of CAD\$1,356,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for CAD\$0.11 per share until December 14, 2017, provided that if, at any time after the date which is four months and one day following the Closing Date, the volume weighted average price of the common shares is equal to or exceeds CAD\$0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of CAD\$85,680. The Company also issued an aggregate of 1,071,000 broker warrants to qualified eligible persons, each such broker warrant entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to CAD\$0.11, with a fair value of CAD\$26,535 (note 11).

During the year ended December 31, 2015, the Company did not issue any common shares.

### **Convertible preferred shares**

Authorized: ICP(USA) is authorized to issue:

- 500,000 Series A Preferred Shares for \$10,000,000
- 250,000 Series B Preferred Shares for \$5,000,000
- 1,750,000 Series C Preferred Shares for \$35,000,000

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**9. SHARE CAPITAL AND RESERVES (cont'd...)**

**Convertible preferred shares (cont'd...)**

During the year ended December 31, 2016, ICP(USA) issued 250,000 convertible Series B Preferred Shares. Under the terms of the Securities Purchase Agreement signed on February 29, 2016, the Series B Preferred Shares were issued for \$2,500,000 on July 13, 2016 and \$2,500,000 on November 21, 2016 to Cartesian Capital Group, LLC ("Cartesian"), who is entitled to appoint two members (non majority) to the board of directors of ICP(USA). The Series B Preferred Shares bear a 12% dividend rate and mature on February 28, 2018, at which point they can be redeemed by the holder for the purchase price plus accrued dividends or converted into an additional non-diluted 21.1% interest of the common shares of ICP(USA).

On November 25, 2014, ICP(USA) issued 500,000 convertible Series A Preferred Shares at a purchase price of \$10,000,000 to Cartesian. The Series A Preferred Shares accrue dividends at a rate of 12% per year and were to mature on November 25, 2016, at which time they can be redeemed by the holder for the purchase price plus accrued dividends or converted into a non-diluted 7.8% interest of the common shares of ICP(USA). The terms of the Series A Preferred Shares were amended in February 2016 to extend the maturity date of the Series A Preferred Shares from November 25, 2016 to February 28, 2018 and to increase the dividend rate from 12% to 15% effective on February 29, 2016.

Since the Preferred Shares contain a contractual obligation whereby ICP(USA) can be required to repay the Preferred Share proceeds, they are considered a financial liability. In addition, the conversion features are considered embedded derivatives.

The Series A Preferred Shares are accounted for using the effective interest rate method. The effective interest rate of the Series A Preferred Share debt is 19% (2015 - 20%) due to modification of terms.

The Series B Preferred Shares are accounted for using the effective interest rate method. The effective interest rate of the Series B Preferred Share debt is 12% (2015 – nil).

Upon initial recognition, the fair value of the embedded derivatives were determined to be immaterial using the Black-Scholes pricing model. The embedded derivatives are revalued at each reporting period. At December 31, 2016, the embedded derivative was also determined to be immaterial using the following Black-Scholes pricing model weighted average assumptions:

	Year ended December 31, 2016
Share price	\$0.06
Exercise price	\$0.33
Risk-free interest rate	0.85%
Expected life	1.16 years
Expected volatility	105.48%

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**9. SHARE CAPITAL AND RESERVES (cont'd...)**

**Convertible preferred shares (cont'd...)**

The embedded derivative is a level three financial liability.

	Series A	Series B	Total
Balance as at December 31, 2014	\$ 8,825,082	\$ -	\$ 8,825,082
Amortization of issuance costs	679,667	-	679,667
Accrued dividends payable	1,213,841	-	1,213,841
Balance as at December 31, 2015	10,718,590	-	10,718,590
Amount at date of issue	-	5,000,000	5,000,000
Amortization of issuance costs	321,795	-	321,795
Accrued dividends payable	1,653,093	172,951	1,826,044
Balance as at December 31, 2016	\$ 12,693,478	\$ 5,172,951	\$ 17,866,429

**10. SECURED NOTES**

Pursuant to the terms of the Securities Purchase Agreement signed on February 29, 2016 (the "SPA") between ICP(USA), Cartesian, and 2 entities controlled by Cartesian, Cartesian agreed to make an aggregate investment of up to \$45 million in ICP(USA). In 2016, Cartesian financed \$5 million in new convertible Series B Preferred Shares of ICP(USA) (note 9) and \$2.5 million in senior Secured Notes issued by ICP(USA). The SPA expired during 2016.

Under the terms of the SPA, ICP(USA) completed a draw of \$2.5 million in February 2016 through the issuance of Secured Notes. The Secured Notes bear interest at 11% per annum and have an effective interest rate of 19%.

The Secured Notes are secured by a first priority security interest in all of the assets of ICP(USA), including ICP(USA)'s interest and rights in the Ochoa Project.

Cartesian has certain protective provisions and contractual rights to, among other things, appoint 2 of the 5 directors of ICP(USA), participate in future financings on an anti-dilutive basis, and approve certain subsequent debt and equity financings and certain other activities of ICP(USA).

The outstanding principal balance of the Secured Notes, together with any accrued and unpaid interest and all other unpaid obligations, is due on February 28, 2018. All or any part of the outstanding balance of the Secured Notes may be prepaid at any time without penalty with prior written notice. Upon the occurrence of certain standard events of "default", all amounts then remaining unpaid on the Secured Notes may be declared to be immediately due and payable.

Balance as at December 31, 2014 and 2015	\$ -
Secured notes	2,500,000
Issuance costs	(342,786)
Amortization of issuance costs	143,689
Accrued interest	229,918
Balance as at December 31, 2016	\$ 2,530,821

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**11. STOCK OPTIONS AND WARRANTS**

**Stock options**

The Company has an incentive stock option plan (the “Plan”) whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue less any discount allowed by the stock exchange upon which the common shares are listed. The Plan provides for the issuance of up to 10% of the Company’s issued common shares as at the date of grant with each stock option having a maximum term of ten years. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

As at December 31, 2016, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price (CAD)	Average Contractual Life Remaining (years)	Expiry Date
30,000	\$ 0.71	0.93	December 5, 2017 *
100,000	0.08	1.03	January 12, 2018
500,000	0.08	2.53	July 12, 2019
250,000	0.12	2.87	November 14, 2019
500,000	0.10	2.90	November 24, 2019
9,650,000	0.08	4.43	June 6, 2021
300,000	0.08	4.53	July 12, 2021
450,000	0.09	4.67	September 2, 2021
<b>11,780,000</b>			

\* Expired unexercised January 20, 2017 due to cancellation during fiscal 2016 and 150 day hold period.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (CAD)
Outstanding at December 31, 2014	9,997,250	\$ 0.62
Cancelled/expired	(4,315,500)	0.50
Granted	<u>1,707,495</u>	0.35
Outstanding December 31, 2015	7,389,245	0.63
Cancelled/expired	(7,359,245)	0.63
Granted	<u>11,750,000</u>	0.08
<b>Outstanding December 31, 2016</b>	<b>11,780,000</b>	<b>\$ 0.08</b>
<b>Number of options exercisable at December 31, 2016</b>	<b>11,780,000</b>	<b>\$ 0.08</b>

The exercisable options as at December 31, 2016 have a weighted average remaining life of 4.23 years (2015 – 2.78 years).

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**11. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Stock options (cont'd...)**

During the year ended December 31, 2016 the Company granted 11,750,000 (2015 – 1,707,495) stock options to consultants, officers, employees and directors of the Company. All options vested at the grant date.

The fair value of the options granted, as determined by the Black-Scholes option pricing model, was \$300,462 (2015 - \$126,307) or \$0.03 per option (2015 - \$0.07).

Share-based compensation recognized during the year was \$300,462 (2015 - \$130,145)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2016 and 2015:

	Year ended December 31, 2016	Year ended December 31, 2015
Risk-free interest rate	0.67%	1.06%
Expected life of options	4.13 years	3.87 years
Annualized volatility	62.52%	50.45%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

**Warrants**

As at December 31, 2016, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price (CAD)	Average Contractual Life Remaining	Expiry Date
13,998,891	\$ 0.08	0.38 years	May 20, 2017
9,760,000	0.11	0.46 years	June 18, 2017
16,950,000	0.11	0.95 years	December 14, 2017
40,708,891		0.64 years	

The exercisable warrants as at December 31, 2016 have a weighted average remaining life of 0.64 years (2015 – 0.97 years).



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**11. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants (cont'd...)**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Outstanding as at December 31, 2015 and 2014	10,000,000	\$ 0.35
Issued on May 20, 2016 (note 9)	18,498,891	0.08
Issued on December 14, 2016 (note 9)	16,950,000	0.11
Exercised	(4,500,000)	0.08
Expired	(240,000)	0.35
Amended exercise price (old price)	(9,760,000)	0.35
Amended exercise price (new price)	<u>9,760,000</u>	0.11
<b>Outstanding December 31, 2016</b>	<b>40,708,891</b>	<b>\$ 0.10</b>
<b>Number of warrants exercisable as at December 31, 2016</b>	<b>40,708,891</b>	<b>\$ 0.10</b>

10,000,000 warrants were issued as part of a private placement undertaken in December 2013. The original exercise price was set at CAD\$0.35 expiring on June 18, 2015. In 2015, the Company extended the life of the 10,000,000 warrants from June 18, 2015 to December 18, 2016. In 2016, the Company obtained warrant holder approval to extend 9,760,000 warrants held by arm's length parties for six months to June 18, 2017 with a reduction of the exercise price to CAD\$0.11. The 240,000 warrants held by insiders were not extended.

The warrants are considered a derivative liability since the obligation to issue shares is not fixed in the Company's functional currency. The derivative warrant liability is measured at fair value at issue with subsequent changes recognized in the statement of loss and comprehensive loss. The estimated fair value is determined using the Black-Scholes model based on significant assumptions including volatility, dividend yield, risk-free interest rate and expected term.

	Number of warrants	Warrant liability (USD)
Balance, January 1, 2015	10,000,000	\$ -
Fair value due to extension (June 30, 2015)	-	209,111
Change in fair value	-	<u>(205,023)</u>
Balance, December 31, 2015	10,000,000	4,088
Warrants issued on May 20, 2016	18,498,891	246,198
Warrants issued on December 14, 2016	16,950,000	320,016
Exercised	(4,500,000)	(188,865)
Expired	(240,000)	-
Change in fair value	-	<u>187,715</u>
<b>Balance, December 31, 2016</b>	<b>40,708,891</b>	<b>\$ 569,152</b>

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**11. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants (cont'd...)**

The following weighted average assumptions were used for the Black-Scholes valuation of the derivative warrant liabilities for the years ended December 31, 2016 and 2015:

	2016	2015
Risk free rate	0.71%	0.48%
Expected term of liability	0.79	0.97
Annualized volatility	88.60%	82.06%
Dividend rate	0.00%	0.00%

**Broker warrants**

On May 20, 2016, the Company issued 855,478 broker warrants entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to CAD\$0.065.

On December 14, 2016, the Company issued 1,071,000 broker warrants entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to CAD\$0.11.

As at December 31, 2016, the Company had broker warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price (CAD)	Average Contractual Life Remaining	Expiry Date
855,478	\$ 0.065	0.38 years	May 20, 2017
1,071,000	\$ 0.11	0.95 years	December 14, 2017
1,926,478			

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)	Weighted Average Remaining Life (Years)
Outstanding as at December 31, 2015 and 2014	-	\$ -	-
Issued May 20, 2016 (note 9)	855,478	0.065	0.38
Issued December 14, 2016 (note 9)	1,071,000	0.11	0.95
Outstanding as at December 31, 2016	1,926,478	\$ 0.09	0.70

The fair value of the broker warrants granted, as determined by the Black-Scholes option pricing model, was \$34,845 (2015 - \$nil) or \$0.02 per broker warrant (2015 - \$nil).

The broker warrants as at December 31, 2016 have a weighted average remaining life of 0.70 years (2015 – nil).

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**11. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Broker Warrants (cont'd...)**

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants issued during the year ended December 31, 2016:

	Year ended December 31, 2016
Risk-free interest rate	0.71%
Expected life of warrants	1 year
Annualized volatility	89.27%
Dividend rate	0.00%
Forfeiture rate	0.00%

**12. FINANCE COSTS**

During the years ended December 31, 2016 and 2015, the Company incurred the following finance expenses:

	2016	2015
Amortization of issuance costs - preferred shares Series A (note 9)	\$ 321,795	\$ 679,667
Accrued dividends payable on preferred shares Series A (note 9)	1,653,093	1,213,841
Amortization of issuance costs - secured notes (note 10)	143,689	-
Accrued interests on the secured notes (note 10)	229,918	-
Accrued dividends payable on preferred shares Series B (note 9)	172,951	-
Accretion on decommissioning liabilities (note 8)	2,575	6,873
	\$ 2,524,021	\$ 1,900,381

**13. RELATED PARTY TRANSACTIONS AND BALANCES**

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

	December 31, 2016	December 31, 2015
Key management personnel	\$ 763	\$ 2,318
	\$ 763	\$ 2,318

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**13. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd...)**

Key management personnel compensation (consisting of senior officers and directors of the Company):

	Year ended	
	2016	2015
Termination expense	\$ -	\$ 1,603,910
Short-term benefits *	724,751	1,133,358
Consulting fees	410,000	-
Directors' fees **	78,654	263,005
Share-based compensation	238,529	130,145
Total remuneration	\$ 1,451,934	\$ 3,130,418

\* Amounts are included within wages and benefits on the statement of loss and comprehensive loss.

\*\* Amounts are included within administration on the statement of loss and comprehensive loss.

In July 2015, the Company signed a Termination Settlement Agreement with the former President and CEO of the Company, as described in Note 7.

**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Supplemental disclosure with respect to cash flows	Year ended	
	December 31, 2016	December 31, 2015
Advances reclassified to development project	\$ -	\$ 2,222
Broker warrants issued as finders' fees	\$ 34,845	\$ -
Deferred financing costs in account payable	\$ -	\$ 128,642
Development project costs included in accounts payable	\$ 740,931	\$ 454,907
Reclamation obligation	\$ 565,295	\$ 41,875
Warrant liability	\$ 566,214	\$ -
Reversal of warrant liability upon exercise	\$ 188,865	\$ -

**15. COMMITMENTS**

After commencement of commercial production, the Company shall deliver and sell to Yara Balderton Ltd. ("Yara") and Yara will buy from the Company 30% of all products produced by the Ochoa project annually for a period of 15 years and will automatically extend every five years thereafter unless either party elects not to extend. Under certain circumstances, Yara has the option to purchase up to an additional 20% (for an aggregate maximum of 50%) of annual production during the term of the agreement. All products will be sold to Yara based on market prices, subject to terms of the off-take agreement dated March 30, 2012.

**16. SEGMENTED INFORMATION**

The Company has one reportable business segment being the development of mineral property assets. Geographical information is as follows:

Property, plant, and equipment	Canada	USA	Total
December 31, 2015	\$ 783	\$ 56,196,282	\$ 56,197,065
December 31, 2016	\$ 1,794	\$ 19,773,974	\$ 19,775,768

**17. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property assets. The Company does not have any externally imposed capital requirements to which it is subject. The capital of the Company consists of items in shareholders' equity (deficiency) as well as convertible preferred shares. The Company had no bank indebtedness at December 31, 2016. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in available funds, economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, borrow money, or dispose of assets to adjust the amount of cash.

The Company's investment policy is to invest its cash in demand investment instruments in high credit quality financial institutions to provide liquidity over the expected time of expenditures from continuing operations.

The Company intends to raise additional funds so that all project plans can be fully executed. There were no significant changes in the Company's approach to capital management during the year ended December 31, 2016.

**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, receivables, deposits, accounts payable, employment liability, convertible preferred shares, secured notes and warrant liability.

***Financial instruments***

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. The warrant liability and embedded derivative are categorized as level three. The carrying value of receivables, deposits, accounts payable and employment liability approximate fair value because of the short-term nature of these instruments. The preferred shares and secured notes have a maturity date on February 28, 2018, and are designated as non-current liabilities, which are measured at amortized cost, using the effective interest rate.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

***Credit risk***

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held at reputable financial institutions, from which management believes the risk of loss to be remote. Receivables consist primarily of amounts due from government agencies.

**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Liquidity risk*

As at December 31, 2016, the Company had a cash balance of \$3,114,540 to settle current liabilities of \$2,645,152. The Company has a contractual maturity for the \$15,000,000 face amount of the preferred shares plus accrued interest. The Company also has \$2,500,000 in secured notes plus accrued interest. The preferred shares and secured notes will mature February 28, 2018. The Company is subject to liquidity risk.

*Interest rate risk*

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade highly liquid demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as cash deposits are payable on demand and the Company currently does not carry interest bearing debt at floating rates.

*Foreign currency risk*

The Company's functional currency is the US dollar; however there are transactions in Canadian dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 10% change in the foreign exchange rate would have had an approximate \$30,000 impact on foreign exchange gain or loss.

*Price risk*

The Company is exposed to price risk with respect to commodity prices, specifically potash and other fertilizer products. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future mining operations will be significantly affected by changes in the market prices for potash and other fertilizer products. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities, economic growth in developed and developing countries and stability of exchange rates can all cause significant fluctuations in commodity prices.

**19. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the year ended December 31, 2016, was based on the loss attributable to common shareholders of \$46,409,857 (2015 – \$10,275,838) and the weighted average number of common shares outstanding of 185,698,153 (2015 – 172,874,654). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.

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**20. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2016	2015
Loss for the year	\$ (46,409,857)	\$ (10,275,838)
Expected income tax (recovery)	\$ (12,067,000)	\$ (2,672,000)
Change in statutory, foreign tax, foreign exchange rates and other	(6,454,000)	(4,490,000)
Permanent difference	134,000	59,000
Share issue costs	(33,000)	-
Adjustment to prior years provision versus statutory returns	4,806,000	(3,437,000)
Change in unrecognized deductible temporary differences	(13,614,000)	10,540,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets that have not been recognized on the consolidated statement of financial position are as follows:

	2016	2015
Deferred tax assets (liabilities)		
Mineral property	\$ 18,758,000	\$ 9,825,000
Property and equipment	2,000	2,000
Share issue costs	122,000	145,000
Debt with accretion	1,165,000	289,000
Allowable capital losses	-	25,000
Non-capital losses available for future period	34,886,000	31,033,000
	54,933,000	41,319,000
Unrecognized deferred tax assets	\$ (54,933,000)	\$ (41,319,000)
Net deferred tax assets	\$ -	\$ -

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**20. INCOME TAXES (cont'd...)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	Expiry Date Range	2015	Expiry Date Range
Temporary differences				
Mineral property	\$ 46,579,000	No expiry date	\$24,373,000	No expiry date
Investment tax credit	30,000	2026 to 2027	29,000	2026 to 2027
Property and equipment	9,000	No expiry date	7,000	No expiry date
Share issue costs	470,000	2017 to 2020	558,000	2016 to 2019
Debt with accretion	2,897,000	No expiry date	719,000	No expiry date
Allowable capital losses	-	No expiry date	96,000	No expiry date
Non-capital losses available for future period	93,782,000	2017 to 2036	83,828,000	2016 to 2035
Canada	19,728,000	2017 to 2036	18,666,000	2016 to 2035
USA	74,054,000	2028 to 2036	65,162,000	2028 to 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**21. SUBSEQUENT EVENTS**

On January 24, 2017, 200,000 warrants were exercised and the Company issued 200,000 common shares for proceeds of CAD\$16,000, or CAD\$0.08 per share.

On February 14, 2017, the Company granted 6,050,000 options to directors, officers and employees of the Company, of which 2,150,000 have three year term and 3,900,000 have five year term. All options vested at the grant date and the exercise price of CAD\$0.10.

On March 1, 2017, the Company granted 200,000 options to a consultant. The options vested at grant date, with a three year term and exercise price of CAD\$0.10.

On March 1, 2017, the Company issued 6,573,333 units pursuant to a non-brokered offering, made up of 6,573,333 units at CAD\$0.105 for gross proceeds of CAD\$690,200. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for CAD\$0.16 per share until March 1, 2018, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds CAD\$0.21 for 18 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date.

On March 16, 2017, ICP(USA) issued 710,000 common shares to Cartesian for \$360,000 representing approximately 6.6% of ICP(USA)'s issued and outstanding common shares after the financing.



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**21. SUBSEQUENT EVENTS (cont'd...)**

In March 2017, the Company determined it no longer has the power to govern the financial and operating policies of its subsidiary ICP(USA). As a result, the Company will cease to consolidate the assets, liabilities and results of operations of ICP(USA) and will recognize its investment retained in ICP(USA) as an investment in an associated company accounted for under the equity method. The net liabilities that will be deconsolidated on loss of control of ICP(USA), based on December 31, 2016 balances, are:

Current assets	\$	1,915,164
Non-current assets		19,850,144
Current liabilities		(1,509,144)
Non-current liabilities		(20,451,327)
	\$	(195,163)