# IC POTASH CORP.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## DECEMBER 31, 2013

# 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, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity 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, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

February 20, 2014



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

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

| | | December 31, 2013 | | December 31, 2012 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | $ | 12,656,992 | $ | 36,394,591 |
| Receivables (note 3) | | 62,930 | | 60,217 |
| Prepaid expenses | | 78,154 | | 151,539 |
| | | 12,798,076 | | 36,606,347 |
| **Property, plant and equipment** (note 4) | | 190,388 | | 242,114 |
| **Project advances** (note 5) | | 114,622 | | 133,200 |
| **Deposits** (note 6) | | 89,524 | | 82,093 |
| **Exploration and evaluation assets** (note 5) | | 58,418,645 | | 37,225,214 |
| **Deferred financing costs** | | - | | 87,491 |
| | $ | 71,611,255 | $ | 74,376,459 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (note 7) | $ | 1,466,353 | $ | 3,490,946 |
| **Decommissioning liabilities** (note 8) | | 764,659 | | 268,299 |
| | | 2,231,012 | | 3,759,245 |
| **Shareholders' equity** | | | | |
| Share capital (note 9) | | 94,551,009 | | 89,456,817 |
| Reserves (note 9) | | 8,574,890 | | 8,502,712 |
| Deficit | | (33,745,656) | | (27,342,315) |
| | | 69,380,243 | | 70,617,214 |
| | $ | 71,611,255 | $ | 74,376,459 |

**Nature of operations and going concern** (note 1)
**Basis of presentation** (note 2 b)
**Commitments** (note 13)

**On behalf of the Board:**

*"Sidney Himmel"* **Director**

*"George Poling"* **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 YEAR ENDED DECEMBER 31
(Expressed in Canadian Dollars)

| | 2013 | 2012 |
|---|---|---|
| **EXPENSES** | | |
| Administration | $ 625,841 | $ 714,994 |
| Business and market development | 747,145 | 748,273 |
| Consulting fees | 888,843 | 577,343 |
| Depreciation | 85,186 | 74,341 |
| Foreign exchange (gain) loss | (549,004) | 455,631 |
| Investor relations | 385,406 | 522,296 |
| Professional fees | 984,425 | 930,836 |
| Regulatory fees | 81,489 | 81,142 |
| Rent and storage | 100,702 | 71,934 |
| Share-based compensation (note 10) | - | 2,587,484 |
| Travel | 420,055 | 380,468 |
| Wages and benefits | 2,320,778 | 2,822,744 |
| **Operating loss** | (6,090,866) | (9,967,486) |
| Interest income | 93,284 | 259,203 |
| Gain (or loss) on disposal of equipment | 970 | (10,198) |
| Write-off of deferred financing costs (note 9) | (406,729) | - |
| **Loss and comprehensive loss for the year** | $ (6,403,341) | $ (9,718,481) |
| **Basic and diluted loss per common share** | $ (0.04) | $ (0.07) |
| **Weighted average number of common shares outstanding** | 152,948,463 | 142,922,213 |

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

**IC POTASH CORP.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

| | Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (6,403,341) | $ (9,718,481) |
| Items not affecting cash: | | |
| Depreciation | 85,186 | 74,341 |
| Loss (or gain) on disposal of equipment | (970) | 10,198 |
| Share-based compensation | - | 2,587,484 |
| Unrealized foreign exchange (gain) loss | (358,843) | 455,631 |
| Write-off of deferred financing costs | 406,729 | - |
| Changes in non-cash working capital items: | | |
| Increase in receivables | (2,713) | (41,972) |
| Decrease (increase) in prepaid expenses | 73,385 | (58,871) |
| Increase (decrease) in accounts payable and accrued liablilities | (164,099) | 252,208 |
| Net cash used in operating activities | (6,364,666) | (6,439,462) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of equipment | (48,416) | (170,255) |
| Disposal of equipment for cash | 521 | - |
| Deposits | (1,851) | 1,988 |
| Project advances | (92,659) | (110,192) |
| Expenditures on exploration and evaluation assets | (22,521,411) | (19,809,653) |
| Net cash used in investing activities | (22,663,816) | (20,088,112) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of share capital | 5,729,105 | 39,783,428 |
| Share issuance costs | (472,431) | (2,721,975) |
| Deferred financing costs | (319,238) | (87,491) |
| Net cash provided by financing activities | 4,937,436 | 36,973,962 |
| **Change in cash for the year** | (24,091,046) | 10,446,388 |
| **Effect of foreign exchange rate changes on cash** | 353,447 | (455,631) |
| **Cash, beginning of year** | 36,394,591 | 26,403,834 |
| **Cash, end of year** | $ 12,656,992 | $ 36,394,591 |

**Supplemental disclosure with respect to cash flows** (note 12)

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

**IC POTASH CORP.**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Amount | Reserves | Accumulated Deficit | Total |
| Balances as at December 31, 2011 | 121,246,514 | $52,389,928 | $5,920,664 | $ (17,623,834) | $40,686,758 |
| Shares issued for cash | 30,129,870 | 39,771,428 | - | - | 39,771,428 |
| Share issue costs | - | (2,721,975) | - | - | (2,721,975) |
| Grant of stock options | - | - | 2,587,484 | - | 2,587,484 |
| Exercise of stock options | 30,000 | 17,436 | (5,436) | - | 12,000 |
| Loss and comprehensive loss | - | - | - | (9,718,481) | (9,718,481) |
| Balances as at December 31, 2012 | 151,406,384 | $89,456,817 | $8,502,712 | $ (27,342,315) | $70,617,214 |
| Shares issued for cash | 20,000,000 | 5,000,000 | - | - | 5,000,000 |
| Share issue costs | - | (634,913) | - | - | (634,913) |
| Grant of broker warrants | - | - | 72,178 | - | 72,178 |
| Exercise of warrants | 1,121,700 | 729,105 | - | - | 729,105 |
| Loss and comprehensive loss | - | - | - | (6,403,341) | (6,403,341) |
| Balances as at December 31, 2013 | 172,528,084 | $94,551,009 | $8,574,890 | $ (33,745,656) | $69,380,243 |

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's primary business is the acquisition and exploration of exploration and evaluation assets and it is considered to be in the advanced exploration stage. The Company is involved in exploration for potash and potash-related minerals that can be processed and converted into Sulphate of Potash ("SOP") and other fertilizers. The Company's registered head office is First Canadian Place, Suite 5600, 100 King Street West, Toronto, ON M5X 1C9. The Consolidated Financial Statements ("Financial Statements") are comprised of the Company and its subsidiaries (Note 2). To date, the Company has not earned operating revenue.

The Company is working on a feasibility study technical report in compliance with National Instrument 43-101 ("NI 43-101"). The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and 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.

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 Company estimates that it has sufficient funds continue operations for the next 12 months. The Company intends to raise additional funds in the future to advance its project.

## 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 February 20, 2014.

b) **Basis of presentation:**

The Financial Statements have been prepared on the historical cost basis except for certain non-current assets and 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 and have been audited.

(Expressed in Canadian Dollars)

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

### c) New standards, amendments and interpretations:

*Financial instruments*
IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

*Consolidation*
The IASB issued IFRS 10 - Consolidated Financial Statements in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and replaces current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. IFRS 10 has an effective date of January 1, 2013. The Company's subsidiaries are all 100% wholly owned and the Company is in compliance with IFRS 10. There was no change to the financial presentation as a result of this change.

*Joint ventures*
The IASB issued IFRS 11 – Joint Arrangements on May 12, 2011 and it applies to annual periods beginning on or after January 1, 2013. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and requires such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company currently has no joint ventures and therefore the financial statements are unaffected by IFRS 11.

*Interests in other entities*
The IASB issued IFRS 12 – Disclosure of Interests in Other Entities in May 2011 and it applies to annual periods beginning on or after January 1, 2013. IFRS 12 requires disclosure of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Company's subsidiaries are all 100% wholly owned and the Company is in compliance with IFRS 12. There was no change to the financial presentation as a result of this change.

*Fair-value measurement*
IFRS 13 - Fair Value Measurement: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. IFRS 13 deals with financial securities and derivatives. The Company does not have any derivatives, thus IFRS 13 did not affect these Financial Statements.

### d) 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. | Canada | 100% |
| Trigon Exploration Utah Inc. | USA | 100% |
| Intercontinental Potash Corp. (USA) | USA | 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.

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

e) **Cash:**

Cash is comprised of cash deposited at Canadian and United States banks and secure, short-term, highly liquid demand deposits with an original maturity of three months or less.

f) **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 and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

| | |
|---|---|
| Furniture and fixtures | 20% declining balance |
| Computer equipment | 45% declining balance |
| Exploration equipment | 20% declining balance |
| Vehicles | 30% declining balance |

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.

Where an item of PPE is composed of major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

g) **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 development 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.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

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

### h) 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 $764,659 in decommissioning liabilities as at December 31, 2013 (December 31, 2012 - $268,299) (note 8).

### i) Foreign currency transactions:

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate. Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss.

### j) 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.

### k) Significant accounting estimates and judgments:

The preparation of these Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. The most significant estimates relate to the recoverability of capitalized amounts including the economic viability of the Ochoa project. Based on a favorable pre-feasibility study, the Company completed the phase 3 drilling program and work commenced on environmental permitting.

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

k) **Significant accounting estimates and judgments (**cont'd…)

Significant accounts that require estimates as the basis for determining the stated amounts include decommissioning liabilities (cost escalation and discount rate), deferred income taxes (future tax rates and recoverability of tax assets), evaluating the fair value of exploration and evaluation assets, useful lives of equipment, share-based compensation and warrant valuation (such as valuation model used and assumptions in the Black-Scholes model such as expected life and volatility). The Company has recorded an estimated value of a decommissioning that is expected to be paid at a future date, determined by estimates of amounts to be paid in future years. Such estimates are revised based on market conditions.

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:

*Decommissioning liability*

The Company has recorded an estimated value of a decommissioning that is expected to be paid at a future date, determined by estimates of amounts to be paid in future years. Such estimates are revised based on market conditions.

*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.

*Economic recoverability and probability of future benefits of exploration and evaluation costs.*

Management has determined that exploration, evaluation and related costs incurred which were capitalized may 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, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

*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.

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

k) **Significant accounting estimates and judgments (**cont'd…)

*Valuation of share-based payments*

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

l) **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 fee or other transactions costs are accounted for as share based payments.

m) **Share-based compensation:**

The 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.

n) **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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### o) 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 tax is 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.

### p) 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 fair value through profit or loss (“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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### q) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities 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 and accrued liabilities 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 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.

### r) 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.

### s) Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### t) 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.

Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any provision for impairment is charged to profit or loss in the period concerned. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized.

(Expressed in Canadian Dollars)

## 3. RECEIVABLES

Receivables are comprised of the following:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| HST receivable | $60,696 | $50,595 |
| Other receivable | 2,234 | 9,622 |
| Total | $62,930 | $60,217 |

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| **Cost** | Furniture and fixtures | Computer equipment | Exploration equipment | Vehicles | Total |
|---|---|---|---|---|---|
| As at December 31, 2011 | $ 23,671 | $ 65,750 | $ 51,929 | $ 55,300 | $ 196,650 |
| Additions | 38,625 | 59,847 | - | 71,783 | 170,255 |
| Disposals | - | -19,081 | - | -7,135 | (26,216) |
| **As at December 31, 2012** | 62,296 | 106,516 | 51,929 | 119,948 | 340,689 |
| Additions | - | 48,417 | - | - | 48,417 |
| Disposals | - | (18,969) | (14,585) | - | (33,554) |
| **As at December 31, 2013** | $ 62,296 | $ 135,964 | $ 37,344 | $ 119,948 | $ 355,552 |

| **Depreciation** | Furniture and fixtures | Computer equipment | Exploration equipment | Vehicles | Total |
|---|---|---|---|---|---|
| As at December 31, 2011 | $ 2,648 | $ 18,557 | $ 5,876 | $ 8,177 | $ 35,258 |
| Additions | 7,972 | 31,957 | 9,631 | 24,781 | 74,341 |
| Disposals | - | -9,054 | - | -1,970 | -11,024 |
| **As at December 31, 2012** | 10,620 | 41,460 | 15,507 | 30,988 | 98,575 |
| Additions | 10,536 | 39,276 | 7,944 | 27,430 | 85,186 |
| Disposals | - | (11,864) | (6,733) | - | (18,597) |
| **As at December 31, 2013** | $ 21,156 | $ 68,872 | $ 16,718 | $ 58,418 | $ 165,164 |

| **Net book value:** | Furniture and fixtures | Computer equipment | Exploration equipment | Vehicles | Total |
|---|---|---|---|---|---|
| As at December 31, 2012 | $ 51,676 | $ 65,056 | $ 36,422 | $ 88,960 | $ 242,114 |
| **As at December 31, 2013** | $ 41,140 | $ 67,092 | $ 20,626 | $ 61,530 | $ 190,388 |

(Expressed in Canadian Dollars)

## 5. EXPLORATION AND EVALUATION ASSETS

| **Year ended December 31, 2013** | **Ochoa** |
|---|---|
| **Acquisition costs** | |
| Balance, beginning of year | $ 3,563,280 |
| Additions during the year | |
| Landman costs | 32,117 |
| Permit application and acquisition | 1,207,467 |
| **Total acquisition costs** | 4,802,864 |
| **Deferred exploration costs** | |
| Balance, beginning of year | 33,661,934 |
| Additions during the year | |
| Bulk sampling | 15,742 |
| Drilling | 2,670,959 |
| Feasibility study | 13,377,688 |
| Field expenses | 8,474 |
| Geology | 227,968 |
| Mining engineering | 759,632 |
| Office support | 2,370,513 |
| Water reclamation costs | 522,871 |
| **Total deferred exploration costs** | 53,615,781 |
| **TOTAL** | $ 58,418,645 |

(Expressed in Canadian Dollars)

## 5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

| **Year ended December 31, 2012** | **Ochoa** |
|---|---|
| **Acquisition costs** | |
| Balance, beginning of year | $ 1,873,932 |
| Additions during the year | |
| Landman costs | 172,643 |
| Permit application and acquisition | 1,516,705 |
| **Total acquisition costs** | 3,563,280 |
| | |
| **Deferred exploration costs** | |
| Balance, beginning of year | 13,828,636 |
| Additions during the year | |
| Archaeological studies | 2,087 |
| Bulk sampling | 699,463 |
| Data acquisition | 9,596 |
| Drilling | 6,304,476 |
| Environment work | 65,360 |
| Feasibility study | 5,243,164 |
| Field expenses | 5,781 |
| Geological reports | 1,488 |
| Geology | 446,965 |
| Land surveys | 3,954 |
| Metallurgical | 44,177 |
| Mining engineering | 4,359,275 |
| Office support | 2,087,437 |
| Pre-feasibility study | 179,279 |
| SOP marketing | 108,371 |
| Water reclamation costs | 272,425 |
| **Total deferred exploration costs** | 33,661,934 |
| | |
| **TOTAL** | $ 37,225,214 |

## 5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and to the best of its knowledge, title to the properties are in good standing.

a) Ochoa property

During 2008, the Company acquired certain federal sub-surface potassium prospecting permits ("Permits") located in Lea County, New Mexico that expired on December 1, 2012 (ten of which are protected by a Preference Rights Lease ("PRL") application, five of which were relinquished in the first quarter of 2013, and one of which was relinquished in the fourth quarter of 2012). During 2010, the Company acquired additional Permits which expire on March 1, 2014 (all of which were included in the PRL application) and New Mexico State Land Office mining leases ("Leases") with the next annual rent due on May 24, 2014. Annual rent is no longer payable on relinquished and expired Permits. During 2011, the Company acquired additional Permits with the next annual rent due on April 1, 2014. During 2013, the Company acquired one additional Lease with the first annual rent due on January 15, 2014 which has been made. The annual rent payments due on March 1, 2013, April 1, 2013, and May 24, 2013 were made. The Company paid US$50,000 into a Permit Bond and US$25,000 into a MegaBond for performance and surface or improvement damage that may be refundable if certain prospecting and reclamation requirements are satisfied, thus these amounts are recorded as deposits on the statement of financial position. The Permits are valid for two years and are renewable after two years if the Company meets performance criteria. The Company has applied to convert 26 Permits to Preference Right Leases, which do not expire. The state mining leases are valid for ten years, with subsequent renewals as long as minerals are produced in paying quantities.

Pursuant to private agreements, a 3% Overriding Royalty ("ORR") is payable on the Ochoa Project for a term of 25 years commencing from the initiation of production of which 1% of the royalty is payable to an officer and director of the Company. The Company may acquire, at its option, up to one-half of the ORR at a price of $3,000,000 per 0.5% royalty interest. The ORR is not payable until all capital required to build the project is repaid. An additional royalty of US$1.00 per ton of polyhalite mined for the first 1,000,000 tons and US$0.50 per ton thereafter is also payable on the Ochoa Project pursuant to an agreement with an arm's length third party.

A minimum advance royalty payment of US$8 per acre is payable on the state mining leases annually. Once the Ochoa Project comes into production, minimum royalties of US$8 per acre or 2.5% of the gross value of production after processing, whichever is greater, will be owed on the state mining leases. In addition, once the Ochoa Project comes into production, and no later than six years from obtaining federal Bureau of Land Management ("BLM") preference right leases, minimum royalty payments of US$3.00 per acre or 2% of the gross value at the point of shipment to market, whichever is greater, are expected to be imposed on the federal BLM leases.

As at December 31, 2013, the Company has made an advance of $104,222 (2012 - $112,609) towards the regulatory review of the environmental impact statement, an advance of $10,400 (2012 - $10,400) towards the feasibility study and an advance of $nil (2012 - $10,191) towards landman work and process testing.

(Expressed in Canadian Dollars)

## 6. DEPOSITS

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| BLM Permit Bond | $ 53,180 | $ 49,745 |
| MegaBond | 26,590 | 24,873 |
| Office security deposits | 9,754 | 7,475 |
| Total | $ 89,524 | $ 82,093 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Trade payables | $ 792,734 | $ 1,954,991 |
| Accrued liabilities | 655,620 | 1,502,383 |
| Other | 17,999 | 33,572 |
| Total | $ 1,466,353 | $ 3,490,946 |

## 8. DECOMMISSIONING LIABILITIES

| | | December 31, 2013 | | December 31, 2012 |
|---|---|---|---|---|
| **Current reclamation obligation** | | | | |
| Balance beginning of year | $ | 224,588 | $ | - |
| Change in obligation | | 525,365 | | 224,588 |
| Accretion expense | | - | | |
| Payments during the year | | (61,626) | | |
| Effect of foreign exchange | | 29,603 | | |
| Balance for current reclamation obligation | | 717,930 | | 224,588 |
| | | | | |
| **Long-term reclamation obligation** | | | | |
| Balance beginning of year | | 43,711 | | - |
| Change in obligation | | - | | 43,711 |
| Accretion expense | | - | | - |
| Payments during the year | | - | | - |
| Effect of foreign exchange | | 3,018 | | - |
| | | 46,729 | | 43,711 |
| | | | | |
| Balance end of year | $ | 764,659 | $ | 268,299 |

## 8. DECOMMISSIONING LIABILITIES (cont'd…)

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

The Company completed drilling twelve core holes during fiscal 2012 and the first quarter of 2013. All of the holes have been reclaimed and the decommissioning liability has been reduced accordingly. The Company completed drilling two water wells during fiscal 2012. The decommissioning of these water wells in New Mexico is subject to legal and regulatory requirements. 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 8% (based on discount rates used in our pre-feasibility study). As at December 31, 2013, the undiscounted amount of estimated future decommissioning costs in 2057 based on today's costs with 6% inflation for 44 years is USD$1,298,548 (2012 - $1,298,548). Decommissioning costs are expected to be incurred between 2014 and 2057.

## 9. SHARE CAPITAL AND RESERVES

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

Please refer to the Consolidated Statements of Changes in Equity for a summary of changes in share capital and reserves for the year ended December 31, 2013. Reserves relate to stock options, agent or finder's warrants, and compensatory warrants that have been issued by the Company (note 10).

During the year ended December 31, 2013, the Company issued the following common shares:

- On April 5, the Company issued 1,121,700 common shares of the Company at $0.65 per share pursuant to the exercise of warrants for gross proceeds of $729,105.
- On December 18, the Company issued 20,000,000 units pursuant to a non-brokered private placement at $0.25 per unit for gross proceeds of $5,000,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company for $0.35 per share until June 18, 2015. The Company paid a cash fee equal to 8% of the amount raised by eligible finders in connection with certain subscribers under the Offering and issued 1,336,000 finder's warrants value at $72,178 to such finders. Each finder's warrant entitles the holder to acquire one Common Share for a period of 12 months at an exercise price equal to $0.26.
- The Company wrote off $406,729 of costs related to a financing that did not complete during fiscal 2013.

During the year ended December 31, 2012, the Company issued the following common shares:

- On March 1, the Company issued 30,000 common shares at $0.40 per share pursuant to the exercise of options for gross proceeds of $12,000.
- On April 12, the Company issued 30,129,870 common shares at $1.32 per share to a wholly owned subsidiary of Yara International ASA for aggregate gross proceeds of $39,771,428. The financing costs associated with this share issuance were $2,721,975.

(Expressed in Canadian Dollars)

## 10. 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 provisions.

As at December 31, 2013, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

| Number of Options | | Exercise Price | Average Contractual Life Remaining (years) | Expiry Date |
|---|---|---|---|---|
| 2,790,000 | $ | 0.40 | 0.45 | June 14, 2014 |
| 250,000 | | 1.00 | 0.49 | June 28, 2014 |
| 250,000 | | 0.58 | 1.25 | March 31, 2015 |
| 650,000 | | 0.45 | 1.31 | April 22, 2015 |
| 1,102,245 | | 0.40 | 1.59 | August 4, 2015 |
| 172,255 | | 0.40 | 1.72 | September 19, 2015 |
| 950,000 | | 0.50 | 1.72 | September 19, 2015 |
| 450,000 | | 0.58 | 1.85 | November 8, 2015 |
| 100,000 | | 0.80 | 1.89 | November 22, 2015 |
| 500,000 | | 1.42 | 2.04 | January 13, 2016 |
| 1,000,000 | | 1.40 | 2.21 | March 17, 2016 |
| 335,000 | | 1.06 | 2.36 | May 9, 2016 |
| 1,263,750 | | 1.07 | 2.80 | October 17, 2016 |
| 200,000 | | 1.03 | 3.15 | February 23, 2017 |
| 2,400,000 | | 0.90 | 3.32 | April 26, 2017 |
| 200,000 | | 0.76 | 3.84 | October 31, 2017 |
| 550,000 | | 0.71 | 3.93 | December 5, 2017 |
| 13,163,250 | | | | |

(1) On January 1, 2014, 100,000 options with an exercise price of $1.07 were cancelled.

(Expressed in Canadian Dollars)

**10. STOCK OPTIONS AND WARRANTS** (cont'd…)

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2011 | 10,647,000 | $ 0.74 |
| Exercised | (30,000) | 0.40 |
| Cancelled/expired | (853,750) | 1.26 |
| Granted | 4,040,000 | 0.88 |
| Outstanding at December 31, 2012 | 13,803,250 | $ 0.75 |
| Cancelled/expired | (640,000) | 0.81 |
| Outstanding December 31, 2013 | 13,163,250 | $ 0.75 |
| Number of options exercisable at December 31, 2013 | 13,163,250 | $ 0.75 |

**Share-based compensation**

During the year ended December 31, 2013, the Company granted nil (2012: 4,040,000) options to consultants, officers, employees, and directors of the Company.

The fair value of the options granted, as determined by the Black-Scholes option pricing model, was $nil (2012 - $2,587,484) or $nil per option (2012 - $0.64)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2013 and 2012:

| | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---|---|
| Risk-free interest rate | - | 1.51% |
| Expected life of options | - | 4.34 years |
| Annualized volatility | - | 107% |
| Dividend rate | - | - |
| Forfeiture rate | - | - |

Volatility was determined using weekly closing share prices over a term equivalent to the expected life of the options.

(Expressed in Canadian Dollars)

## 10. STOCK OPTIONS AND WARRANTS (cont'd…)

### Warrants

As at December 31, 2013, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

| Number of Warrants | Exercise Price | Average Contractual Life Remaining | Expiry Date |
|---|---|---|---|
| 10,000,000 | $ 0.35 | 1.46 years | June 18, 2015 |

Warrant transactions are summarized as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding as at December 31, 2012 | 16,996,701 | $ | 0.65 |
| Exercised | (1,121,700) | | 0.65 |
| Expired | (15,875,001) | | 0.65 |
| Granted | 10,000,000 | | 0.35 |
| Outstanding as at December 31, 2013 | 10,000,000 | $ | 0.35 |

### Finder's warrants

As at December 31, 2013, the Company had finder's warrants outstanding enabling the holders to acquire the following number of common shares:

| Number of Finder's Warrants | Exercise Price | Average Contractual Life Remaining | Expiry Date |
|---|---|---|---|
| 1,336,000 | $ 0.26 | 0.96 years | December 18, 2014 |

Finder's warrants are summarized as follows:

| | Number of Unit Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding at December 31, 2012 | - | $ | 0.00 |
| Granted | 1,336,000 | | 0.26 |
| Outstanding at December 31, 2013 | 1,336,000 | $ | 0.26 |

(Expressed in Canadian Dollars)

## 10. STOCK OPTIONS AND WARRANTS (cont'd…)

The following weighted-average assumptions were used for the Black-Scholes valuation of finder's warrants granted during the year ended December 31, 2013 and 2012:

| | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---|---|
| Risk-free interest rate | 1.08% | - |
| Expected life of options | 1 year | - |
| Annualized volatility | 57.69% | - |
| Dividend rate | - | - |
| Forfeiture rate | - | - |

## 11. RELATED PARTY TRANSACTIONS AND BALANCES

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

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Key management personnel | $ 141,252 | $ 30,323 |
| | $ 141,252 | $ 30,323 |

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

| | Year ended | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| Short-term employee benefits | $ 2,017,383 | $ 1,827,785 |
| Directors' fees (included in administration costs) | 229,167 | 325,000 |
| Share-based compensation | - | 2,172,534 |
| **Total remuneration** | $ 2,246,550 | $ 4,325,319 |

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| **Supplemental disclosure with respect to cash flows** | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---|---|
| Cash paid for interest | $ - | $ - |
| Cash paid for income taxes | $ - | $ - |
| Accrued exploration and evaluation assets | $ 1,003,316 | $ 2,954,115 |
| Advances reclassified to exploration and evaluation assets | $ 111,237 | $ 87,392 |
| Finder's fees in accounts payable | $ 90,304 | $ - |
| Reserves transferred on exercise of options and agents' unit options | $ - | $ 5,436 |
| Reclamation obligation | $ 764,659 | $ 268,299 |
| Warrants for finder's fees | $ 72,178 | $ - |

(Expressed in Canadian Dollars)

## 13. COMMITMENTS

Lease

The Company has entered into four operating lease agreements for premises, with annual lease commitments as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| 2014 | $ | 144,166 | USD | $ | 22,500 | CAD |
| 2015 | $ | 1,500 | USD | $ | - | CAD |
| Total | $ | 145,666 | USD | $ | 22,500 | CAD |

Production

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.

## 14. SEGMENTED INFORMATION

The Company has one reportable business segment being the acquisition and exploration of exploration and evaluation assets. Geographical information is as follows:

| | December 31, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Canada | USA | Total | Canada | USA | Total |
| Property, plant, and equipment | $ 4,306 | $ 186,082 | $ 190,388 | $ 7,608 | $ 234,506 | $ 242,114 |
| Exploration and evaluation assets | - | 58,418,645 | 58,418,645 | - | 37,225,214 | 37,225,214 |
| | $ 4,306 | $ 58,604,727 | $ 58,609,033 | $ 7,608 | $ 37,459,720 | $ 37,467,328 |

## 15. 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 sourcing, exploration, and development of its exploration and evaluation assets. The Company does not have any externally imposed capital requirements to which it is subject. The capital of the Company consists of share capital, options and warrants. The Company had no bank indebtedness at year-end. 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.

As at December 31, 2013, the Company had capital resources consisting of cash and receivables. 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 or dispose of assets or 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.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2013.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

International Financial Reporting Standards 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, and accounts payable and accrued liabilities.

*Financial instruments*

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables, deposits, payables and accrued liabilities approximate fair value because of the short-term nature of these instruments.

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

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

*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.

*Liquidity risk*

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing through the issuance of additional securities, the entering into credit facilities or the entering into joint ventures, partnerships or other similar arrangements. As at December 31, 2013, the Company had a cash balance of $12,656,992 to settle current liabilities of $1,466,353.

*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 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. A 1% change in the interest rate would have had a $63,000 impact on interest income for the year.

*Foreign currency risk*

The Company's functional currency is the Canadian dollar; however there are transactions in US 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 1% change in the foreign exchange rate would have had an approximate $19,771 impact on foreign exchange gain or loss for the year.

*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.

## 17. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2013 was based on the loss attributable to common shareholders of $6,403,341 (2012 – $9,718,481) and the weighted average number of common shares outstanding of 152,948,463 (2012 – 142,992,213). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.

(Expressed in Canadian Dollars)

## 18. INCOME TAXES

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

| | 2013 | 2012 |
|---|---|---|
| Loss for the year | $ (6,403,341) | $ (9,718,481) |
| Expected income tax (recovery) | $ (1,617,000) | $ (2,430,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (608,000) | (33,000) |
| Permanent difference | (19,000) | 468,000 |
| Share issue costs | (142,000) | (680,000) |
| Change in unrecognized deductible temporary differences | 2,386,000 | 2,675,000 |
| Total income tax expense (recovery) | $ - | $ - |

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

| | 2013 | 2012 |
|---|---|---|
| Deferred Tax Assets (liabilities) | | |
| Explaration and evaluation assets | $ 2,156,000 | $ 2,262,000 |
| Property and equipment | 74,000 | 43,000 |
| Share issue costs | 770,000 | 932,000 |
| Allowable capital losses | 151,000 | 97,000 |
| Non-capital losses available for future period | 9,430,000 | 6,861,000 |
| | 12,581,000 | 10,195,000 |
| Unrecognized deferred tax assets | $ (12,581,000) | $ (10,195,000) |
| Net deferred tax assets | $ - | $ - |

(Expressed in Canadian Dollars)

**18. 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:

| | 2013 | Expiry Date Range | 2012 | Expiry Date Range |
|---|---|---|---|---|
| Temporary Differences | | | | |
| Exploration and evaluation assets | $ 6,255,000 | No expiry date | $ 43,571,000 | No expiry date |
| Investment tax credit | 40,000 | 2020 to 2033 | 40,000 | 2020 to 2032 |
| Property and equipment | 219,000 | No expiry date | 134,000 | No expiry date |
| Share issue costs | 2,963,000 | 2034 to 2037 | 3,728,000 | 2033 to 2036 |
| Allowable capital losses | 584,000 | No expiry date | 39,000 | No expiry date |
| Non-capital losses available for future period | 32,894,000 | 2014 to 2033 | 24,953,000 | 2014 to 2032 |
| Canada | 21,916,000 | 2014 to 2033 | 18,030,000 | 2014 to 2032 |
| USA | 10,978,000 | 2020 to 2033 | 6,923,000 | 2020 to 2032 |

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